

Company Registration No. 3456022 (England and Wales)

**I.M. PROPERTIES PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**

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I.M. PROPERTIES PLC

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COMPANY INFORMATION

Directors

Lord Edmiston
G E Hutton
T J Wooldridge
A G Clarke

Secretary

A G Clarke

Company number

3456022

Registered office

The Gate, International Drive, Solihull, B90 4WA

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU.

I.M. PROPERTIES PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report and financial statements for the year ended 31 December 2020.

Review of the business

The group has continued to trade in the principal activities of property investment, management and development.

The global pandemic of 2020 has created immense challenges across the economy, significantly impacting businesses but also extending to all aspects of our personal lives in ways that we have not seen since the last world war. Finding the right balance to support our employees, keeping them safe both physically and mentally while maintaining or improving productivity has been difficult. We have a strong team culture across the IM Properties group and it is clear that there are many advantages to meeting and working together in person. However, as with many organisations we are still looking at what is optimal for the future as we return to a more normal environment.

Despite the challenges of operating in a global pandemic and what has remained a low return environment the IM Properties Group has achieved a profit before tax of £28.2m, which is 18% up on 2019. This is after accounting for a net £22m write down across our standing investment portfolio and demonstrates the resilience of a well-diversified group.

The primary key performance indicator for the business is 'total return on capital employed before tax' which for the year under review was 5.7%. This compares favourably with the MSCI' IPD UK index which shows a 2.4% total loss for 2020.

The diversified structure of the business provides a stable base with strong positive cash generation from the core investment portfolio, which has remained resilient through the COVID-19 pandemic. This allows the development divisions to focus on medium and long-term projects with higher returns. The nature of these development projects may cause the reported profits to fluctuate significantly above a base level depending on the timing of the development projects.

As the implications of the pandemic became evident the group adjusted its strategy to focus on the core businesses. Our alternatives division was scaled back with staff redeployed to strengthen our commercial development team broadening our focus from large scale development sites to include urban logistics opportunities. We targeted offices and retail as sectors to divest from to release cash back into the business while retaining a strong portfolio of investment assets in sectors we believe provide opportunities for strong returns in the future.

We entered 2020 with 13% of our investment portfolio in the retail sector and a further 15% invested in retail warehouses. By the end of the year this had been reduced to 9% and 7% respectively as we redeployed capital from retail into other investment classes and commercial development projects. Since the year end we have reduced this further through the sale of our holding in Mell Square, Solihull and at 31 May 2021 the proportion of our investment portfolio invested in the retail sector was reduced to 2%, with a further 7% in retail warehouses.

The sale of our flagship office park at Blythe Valley since the year end has also reduced our exposure to the office sector, which stood at 14% of the portfolio in May 2021 down from 29% at the start of 2020.

The portfolio mix and covenant strength has supported income throughout the pandemic with rent collection levels for the UK portfolio at 84% for Q4 by the year end compared to 95% for the same period in 2019. We have worked with tenants to provide bespoke support where appropriate and it is gratifying that the vast majority of our tenants have successfully navigated what has been the deepest recession in 300 years.

The commercial development division generated a profit of £42m compared to £32m in 2019 as projects at early stages in 2019 have continued to progress through 2020. The pipeline of future commercial development

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

sites remains strong and at the time of this report the group controls sites capable of delivering in excess of 15 million sq ft of logistics space, primarily around the Midlands with a GDV in excess of £1.5bn.

Spitfire Homes, our housebuilding division, reported a turnover of £89m, up 27% on 2019. The average sale price decreased to £699,000 from £705,000 as a result of the change in mix of house types completed as plot sales increased from 99 to 116. This generated a profit before tax of £3m for the year. As at 31 December 2020 Spitfire Homes had planning permission for 533 plots, up from 318 in 2019.

The housing market has remained strong throughout 2020 and is particularly buoyant in early 2021. Indications are that this will continue through 2021 albeit potentially levelling off as the SDLT support reduces. There is a degree of uncertainty beyond that as while the risk of interest rate rises remains relatively low there are indicators that suggest they may begin to increase sooner than the Bank of England guidance has implied. Inevitably this would have an impact on the housing market with affordability already a barrier to many would-be buyers.

As we move forward with the strategy of acquiring and developing larger sites with greater efficiencies, we expect sales volumes and margins to increase from 2023 for Spitfire Homes following another year of transition in 2022 where new systems currently being installed are fully embedded and our larger sites work through a planning system which has also been impacted by the impacts of the pandemic.

In the US, the development of a flagship lifestyle centre at Brookfield, Wisconsin with 400,000 sq ft of retail and 244 residential apartments continues. The expansion of this development to the west introducing a hotel, further apartments and a medical centre, has been well received by the local town, residents and retailers alike. While we have seen a greater impact on rent recovery here averaging 67% for the year when heavier restrictions were in place, this has improved as the State has opened up and we are now seeing most retail and restaurants comping significantly ahead of pre-COVID levels.

Our US joint venture IM Kensington Developments LLC is progressing well with developments in Kansas, Colorado and Minnesota as well as five sites in Chicago, Illinois and a growing pipeline across these States.

1. MSCI Investment Property Database, UK monthly Index of total returns of directly held standing property investments.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Report

As one of the UK's largest privately-owned investor developers, our purpose is to create a sustainable future putting sustainability at the heart of our decision making. We know the built environment sector has a key role to play in mitigating and adapting to climate change and as we start on this journey towards net zero, we are pleased to share with you our first Streamlined Energy and Carbon Report.

Reporting Period

The reporting period for this data is 1 January 2020 to 31 December 2020 in line with the financial reporting period. 2020 will be used as the baseline year for IM Properties for future target setting. As this is the first year the disclosure is required, we have not included comparative data.

Scope

The scope includes solely UK operations and entities consolidated under IM Properties Plc including Spitfire Homes. Reported energy consumption and associated carbon emissions include gas and electricity consumption in IM Properties' facilities in the UK as well as fuel consumption from transport. Transport includes company cars and business travel in employee-owned vehicles. Emissions from hired cars are immaterial.

Measurement Methodology

The reporting methodology used is the GHG Reporting Protocol - A Corporate Accounting and Reporting Standard and IM Properties Plc has elected to use an operational control approach for this report.

Electricity and gas consumption data has been sourced directly from suppliers using EAC/AQ data where possible or from invoices provided by the energy supplier. Where possible actual data has been used but the report includes estimates for some limited areas where actual data was unavailable.

Emission factors used are based on those issued from the UK Department of Business Energy and Industrial Strategy (BEIS 2020).

Greenhouse gas emissions, energy use data and intensity ratio

	2020
UK Energy consumption	
Energy consumption used to calculate emissions (kWh)	7,617,574
Scope 1 emissions in metric tonnes CO2e	
Purchased Gas	718
Owned transport	37
Scope 2 emissions in metric tonnes CO2e (Location based)	
Purchased electricity	684
Scope 3 emissions in metric tonnes CO2e	
Business travel in employee owned vehicles	154
Total gross emissions in metric tonnes CO2e	1,593
Intensity ratio Total Tonnes CO2e per employee	13

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Energy & Carbon Strategy

IM Properties plc are committed to supporting the UK Governments commitment to be net zero by 2050. In line with this, the company has committed to be a net zero business by 2030. This will include setting and pursuing an ambitious 1.5°C aligned science-based target (SBT) for our full value-chain emissions. Any remaining hard-to-decarbonise emissions will be offset using certified greenhouse gas removal. To achieve this commitment, the company recognises the need to improve data collation across its Scope 1, 2 and 3 emissions data and this is the short-term priority. It will publish its pathway to Net Zero 2030 by the next reporting period.

Energy and Carbon Performance Commentary

Over the past 2 years the Company has taken several measures to reduce its greenhouse gas emissions. These include:

- 80% of our emissions are from energy used during the construction & operation of our developments. In 2019, we secured a £65m Green Loan Facility with Lloyds Bank to improve the energy efficiency of our assets under management. Examples of work undertaken to date include:
 - Installation of photovoltaic panels alongside a Tesla battery to create an energy cost neutral warehouse securing an EPC A rating for the unit
 - Installation of fast chargers for electric vehicles at various properties within the portfolio
 - Replaced existing lighting with high efficiency LED lighting across various properties and common areas within the portfolio
 - Through working with local service providers and we have added Fore Business Park as an additional stop on the Blythe Valley Bus Service on the routes from both Solihull town centre and Birmingham International
 - We are building an in-house specialist team focussed on ESG and particularly the sustainability elements with further appointments to come in 2021.
- In Summer 2019 we relocated to a new, more energy efficient, head office - The Gate at Solihull. The Gate was designed and delivered by IM Properties achieving BREEAM Very Good and EPC A. Designated EV charging points are available with the ability for all car spaces to have electric vehicle charging as we transition to a cleaner fleet.
- Introduction of hybrid vehicles within our Car Ownership Scheme fleet, which by 31 December 2020 encompassed 41% of the fleet.

We are working with our supply chains across the business to better understand the embodied and operational carbon impact of our developments during design and construction.

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Monitoring and managing risks and uncertainties.

The directors understand that in order to generate a return it is necessary to accept a level of risk. The key is to ensure these risks remain within acceptable levels agreed by the Board. We believe that our structure allows us not just to identify, measure and manage risk, but also to respond quickly where opportunities are identified, giving us a competitive advantage over our peers.

The group monitors and manages risks and uncertainties in the following key areas:

Principal risks	Area of impact	Management approach
Property investment risks		
<ul style="list-style-type: none">• <i>Cyclical property market movements</i>	Profitability Net asset value Financial covenants	Senior management has extensive experience and detailed understanding of our core markets. This expertise is supplemented by market leading external advisers and financial models used to inform capital allocation decision-making.
<ul style="list-style-type: none">• <i>Poor decision making on whether to buy, sell or hold assets</i>	Liquidity	
<ul style="list-style-type: none">• <i>Weak asset management</i>	Cash flow Void levels Net asset value Profitability	Our experienced and proactive team of property asset managers work closely with external advisers and asset managers where appropriate. All property assets are reviewed regularly, and we focus on building effective relationships with our tenants to ensure changing needs are identified and met.
<ul style="list-style-type: none">• <i>Changes in the level of occupier demand or supply of space</i>	Profitability Net asset value Liquidity Void levels	The group holds a diversified property portfolio across the United Kingdom and the United States of America. Our tenant base is well diversified, and investment and development teams maintain a good awareness of the supply pipeline in our core areas.
Financial risks		
<ul style="list-style-type: none">• <i>Exposure to foreign currency</i>	Net asset value Profitability	Property assets are funded locally where possible in matching currency. The group utilises derivative financial instruments in order to achieve the foreign exchange hedging levels targeted by the Board. Levels of unhedged currency exposure are monitored on an ongoing basis.
<ul style="list-style-type: none">• <i>Adverse interest rate movements</i>	Profitability Liquidity Banking covenants	The group's exposure to adverse interest rate movements is largely mitigated through the use of derivative instruments, including interest rate swaps and caps. Hedging levels are monitored on an ongoing basis.
<ul style="list-style-type: none">• <i>Covenant breach</i>	Profitability Liquidity	Financial covenants are monitored by the Finance Director on an ongoing basis and reported to the banks in accordance with agreed terms. Financial covenants are forecast 12 months out to provide visibility of potential risks, allowing time for mitigating action to be taken. Where appropriate, modelling is undertaken to determine the impact on covenants as part of the group's decision-making process.

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks	Area of impact	Management approach
<ul style="list-style-type: none"> <i>Unavailability of funding at acceptable pricing</i> 	Profitability Liquidity Ability to acquire or develop	<p>The group has strong relationships with a range of banks, which reduces credit and liquidity risks. Significant cash reserves are held within the centralised treasury function of the wider IM Group, which are accessible to the IM Properties Plc Group as required through a £50m internal revolving credit facility. The exposure on re-financing of debt is mitigated through a broad spread of debt maturities and early engagement with lenders where appropriate.</p>
Development risks		
<ul style="list-style-type: none"> <i>Adverse changes in occupational or investment markets</i> 	Profitability Net asset value Exit timing	<p>Most developments are undertaken once an appropriate level of pre-lets are secured. Speculative projects are undertaken where the Board are comfortable that a window exists in the market to secure sufficient return to mitigate the increased level of risk.</p>
<ul style="list-style-type: none"> <i>Failure to secure appropriate planning permissions</i> 	Profitability Liquidity Reputation	<p>The development team engage extensively with all stakeholders prior to any planning application to minimise the risk of unsuccessful applications. Our track record demonstrates the success of this approach in both the commercial and residential sectors.</p>
<ul style="list-style-type: none"> <i>Contractor availability and potential failure</i> 	Delay in development programme Profitability	<p>On commercial developments only leading contractors are engaged and due diligence is undertaken for any significant contracts to assess the financial viability of the contractor. The residential development division has established a network of trusted sub-contractors and consultants with a track record of delivering the high-quality build required. We continue to develop our relationships with third parties to support the growth of the business and to avoid overreliance on any one supplier.</p>
<ul style="list-style-type: none"> <i>A major health and safety incident</i> 	Serious injury or death to an employee, member of the public, contractor or any other person. Reputation Profitability	<p>The group retains a policy that health and safety arrangements are always a priority as we have no tolerance of health and safety risk exposure. Our development teams use experienced and qualified HSE advisors together with specialists to provide training where appropriate. We have defined business procedures in place to ensure active management of all health and safety matters, and there is regular reporting of performance in this area to executive directors and the Board.</p>

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks	Area of impact	Management approach
Environmental risks		
<ul style="list-style-type: none"> <i>Increase in building regulation and obsolescence, climate change and increased energy costs</i> 	Profitability Void levels Net asset value	All emerging regulatory changes are assessed for potential impacts on group property assets. Fit-out and refurbishment schemes are benchmarked against industry standards and investment in energy efficient plant and building mounted renewable energy systems is designed in where appropriate. Future environmental risks are considered for all potential developments including flood risk and environmental assessments.
<ul style="list-style-type: none"> <i>Economic downturn</i> 	Profitability Net asset value Liquidity Banking covenants	The group holds a diversified property portfolio across the United Kingdom and the United States of America. Significant cash reserves are maintained within the IM Properties Plc Group and at the parent company level, which are available to IM Properties through agreed intra group facilities. The investment portfolio is heavily weighted to credit grade tenants with many properties assessed as business critical providing a level of resilience to the rental income profile.
<ul style="list-style-type: none"> <i>Global pandemic</i> 	Net asset value Liquidity Banking covenants Profitability	The group has demonstrated its resilience during the COVID pandemic with systems in place to enable efficient remote working and procedures to ensure the safety of employees while allowing group operations to continue with minimal impact. The high quality of our investment portfolio together with the wider diversification through our strategic land division, commercial and residential development increases the resilience of the group.

Stakeholder Engagement

Under the Companies (Miscellaneous Reporting) Regulations 2018, large companies are required to include a statement within their strategic report that describes how the directors have had regard to broader stakeholder interests when performing their duties under section 172 of the Companies Act 2006 to promote the success of the company. Broadly the directors consider the following six key matters when making significant decisions:

- the likely consequence of the decision in the long term;
- the interests of the company's employees;
- the need to foster business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desire of the company to maintain high standards of business conduct; and
- the need to act fairly between members of the company.

The table below provides a summary of how the Board consider the company's stakeholders and their concerns in decision making and demonstrates that in conducting the business of the company over the course of the year ended 31 December 2020, the directors have complied with Section 172(1) of the Companies Act 2006.

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Primary issue	Why engage	How we engage	Influence on decision making
Employees	It is critical for the future success of the business that we develop, retain and attract talent.	To understand how we can provide stimulating and challenging career opportunities for our teams to develop their skills within a considerate and supportive environment.	We work hard to create an open culture, encouraging constructive and honest dialogue throughout the business. We strive to follow our core values of integrity, togetherness, respect and commitment in the way we work with each other across the group.	The group operates with a flat management structure and this direct interaction between directors and employees helps the Board to make decisions relating to people development, working environments and the attraction of talent. In late 2019 we introduced the Intentional Leadership program to support the development of key staff and continued this throughout 2020 despite the challenges of bringing people together under COVID restrictions.

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Primary Issue	Why engage	How we engage	Influence on decision making
Occupiers Customers	There continues to be considerable change in where and how people live, work and shop. As a successful business we need to be providing our customers with what they want now and, in the future, not just what they have wanted in the past.	We need to understand the people and businesses that use our space in order to meet their increasing expectations. Across the group we aim to build strong relationships with our occupiers and customers.	Our residential division seek feedback on customer satisfaction through surveys and have also conducted workshops for new home customers to gather direct feedback. We engage with our occupiers directly and leverage social media to keep our customers informed where appropriate.	The Board are influenced through direct contact with customers as well as the feedback from surveys and specific information fed back through our teams. For example, feedback from owners of our Spitfire homes are used in improving the customer experience going forward. The growing focus on sustainability we see amongst large corporates we believe will translate into future requirements around their property assets, which is informing our sustainability strategy.
Partners	Engagement with our professional advisers and debt providers is a fundamental part of securing a consistent working relationship. We engage with suppliers and joint venture partners to promote our ESG (Environmental, Social and Governance) standards.	This engagement allows us to benefit from the expertise across existing and potential suppliers, joint venture partners and debt providers to support the long-term success of the group. We believe that aligning interests creates greater mutual success.	We share our strategy and expectations with our key partners and assign key contacts to build close working relationships built around our group core values.	The board includes directors directly responsible for relationships with our partners in their primary areas. This informs our decision making as a board. As an example, our engagement with our sustainability consultants has led us to establish committees to harness the enthusiasm of our employees in this area and guide the development of our group strategy.

I.M. PROPERTIES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Primary issue	Why engage	How we engage	Influence on decision making
Communities	Environment concerns and local issues are combined with social challenges around equality, health, skills, affordable housing and social cohesion.	Understanding our communities allows us to help create successful, inclusive and sustainable places in an environmentally responsible way.	Many of our employees are embedded in the communities that we serve. At director level we maintain positive relationships with local authorities who understand the needs of their local communities.	Since it began trading the IM Group has donated in excess of £375m to Christian Vision, a charity founded by Lord Edmiston that seeks to address the social challenges that concern all of us. During 2020 the company conducted a gap analysis around sustainability drawing in views directly from key stakeholders and this is now feeding into the development of our environmental strategy with the vision that together we will create a sustainable future for all.
Shareholder	Delivering sustainable capital growth and income over the long term with an appropriate balance of risk and return in the context of wider market uncertainty.	We have a clear responsibility to engage with the owner of the business, whose views are an important driver of our strategy.	We hold quarterly shareholder meetings where the owner can engage directly with the senior management team. There are also regular informal discussions held on a one-to-one basis.	The owner provides direct feedback on strategic plans proposed by the directors, which is then factored into the final corporate strategy. The decision to donate two properties worth a total of £19m to Charity in December 2020 was taken as a result of discussions with the ultimate shareholder.

I.M. PROPERTIES PLC

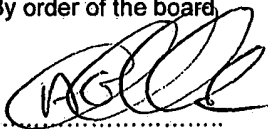
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Future plans

Looking forward, we are seeing strong economic growth with UK GDP growth for 2021 now forecast at 7.2% by the OECD, which follows the 9.8% contraction in 2020. We continue to operate in a low return environment with property and land acquisitions carefully considered in view of the high level of pricing for the right assets. However, the directors believe that the group is in a strong position, with cash reserves of £109m at the year end, which have been supplemented by significant sales since the year end providing the group with substantial capital to deploy where the right opportunities arise.

By order of the board



A G Clarke
Secretary

Date 28 June 2021

I.M. PROPERTIES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and financial statements for the year ended 31 December 2020.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Lord Edmiston
G E Hutton
T J Wooldridge
A G Clarke

Results and dividends

The results of the group for the year are set out on page 19 and show a profit for the year of £19.8m (2019 - £22.9m). The performance of the group is detailed within the strategic report on pages 1 - 11. During the year, no interim dividends were paid (2019 - £12.3m). The directors do not recommend the payment of a final dividend (2019 - £Nil).

Qualifying third party indemnity provisions

The group has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Matters of strategic importance

Information of this nature is not shown within the Directors' Report as it is instead included within the Strategic Report on pages 1 - 11 under s414c(11).

Post balance sheet events

Since the year end we have seen significant cash inflows through a number of transactions, which is in line with our strategy set last year to increase liquidity and provide a stronger cash position to take advantage of opportunities as well as repositioning the investment portfolio in line with our current strategic objectives to focus on more sustainable assets.

Further details of events that have occurred since 31 December 2020 are set out in note 32 to the financial statements.

Auditor

BDO LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

I.M. PROPERTIES PLC

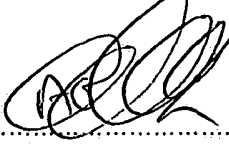
DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

By order of the board



.....
A G Clarke
Secretary

Date 28 June 2021

I.M. PROPERTIES PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

I.M. PROPERTIES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I.M. PROPERTIES PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of I.M. Properties Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise Consolidated statement of comprehensive income, Statements of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

I.M. PROPERTIES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I.M. PROPERTIES PLC (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

I.M. PROPERTIES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I.M. PROPERTIES PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Parent Company and the industry in which it operates, and considered the risk of acts by the Parent Company that were contrary to applicable laws and regulations, including fraud.
- We considered the Parent Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the company financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We reviewed minutes of all Board meetings held during and subsequent to the year end for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also made similar enquiries of advisers to the Parent Company, where information from that adviser has been used in the preparation of the financial statements.
- We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year end and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.
- We designed audit procedures that specifically address the fraud risk due to improper revenue recognition. Through our tailored procedures, we were able to mitigate the fraud risk by focusing on where management may feel pressure to achieve expected results to meet interest cover covenants or achieve bonuses.

I.M. PROPERTIES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I.M. PROPERTIES PLC (CONTINUED)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Geraint Jones
BFDD86955DB642A...

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
29 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

I.M. PROPERTIES PLC**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
Turnover	3	230,182	224,514
Cost of sales		(177,098)	(163,633)
Gross profit		53,084	60,881
Administrative expenses		(34,611)	(14,732)
Gains from changes in fair value of investment property		15,202	2,943
Other operating income/(charges)	4	18,047	(5,438)
Operating profit	5	51,722	43,654
Interest receivable and similar income	9	1,197	3,443
Interest payable and similar charges	10	(24,684)	(23,245)
Profit before taxation		28,235	23,852
Taxation	11	(8,424)	(996)
Profit after taxation		19,811	22,856
Other comprehensive expense net of taxation			
Currency translation differences		(3,371)	(2,145)
Other comprehensive expense for the year		(3,371)	(2,145)
Total comprehensive income for the year		16,440	20,711

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Profit for the financial year attributable to:		
Owners of the parent	19,816	22,867
Non-controlling interests	(5)	(11)
	<hr/>	<hr/>
Profit for the financial year	19,811	22,856
	<hr/>	<hr/>
Total comprehensive income for the year attributable to:		
Owners of the parent company	16,445	20,722
Non-controlling interests	(5)	(11)
	<hr/>	<hr/>
Total comprehensive income for the financial year	16,440	20,711
	<hr/>	<hr/>

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC

Company Registration No. 3456022

STATEMENTS OF FINANCIAL POSITION**AS AT 31 DECEMBER 2020**

	Notes	2020 £'000	Group 2019 £'000	2020 £'000	Company 2019 £'000
Fixed assets					
Other tangible assets	14	53	101	-	-
Investment properties	15	792,306	795,900	-	-
Investments	16	-	-	440,888	448,967
		<u>792,359</u>	<u>796,001</u>	<u>440,888</u>	<u>448,967</u>
Current assets					
Stocks	18	233,750	201,667	-	-
Debtors	19	75,726	75,765	399,535	293,703
Cash at bank and in hand		108,507	57,422	55,718	26,625
		<u>417,983</u>	<u>334,854</u>	<u>455,253</u>	<u>320,328</u>
Creditors: amounts falling due within one year	20	(457,114)	(359,509)	(891,319)	(749,349)
Net current liabilities		<u>(39,131)</u>	<u>(24,655)</u>	<u>(436,066)</u>	<u>(429,021)</u>
Total assets less current liabilities		<u>753,228</u>	<u>771,346</u>	<u>4,822</u>	<u>19,946</u>
Creditors: amounts falling due after more than one year	21	(298,025)	(342,765)	(2,739)	(2,144)
Provisions for liabilities	24	(17,091)	(6,217)	(84)	(515)
Net assets		<u>438,112</u>	<u>422,364</u>	<u>1,999</u>	<u>17,287</u>

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC


Company Registration No. 3456022

STATEMENTS OF FINANCIAL POSITION (CONTINUED)**AS AT 31 DECEMBER 2020**

	Notes	2020 £'000	Group 2019 £'000	2020 £'000	Company 2019 £'000
Capital and reserves					
Called up share capital	28	58	58	58	58
Profit and loss reserves	28	437,977	422,224	1,941	17,229
Merger reserve	28	-	-	-	-
Other reserve	28	3	3	-	-
Equity attributable to owners of the parent company		438,038	422,285	1,999	17,287
Capital and reserves attributable to non-controlling interests		74	79	-	-
Total equity		438,112	422,364	1,999	17,287

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The company's loss and total comprehensive expense for the year was £15.3m (2019 - profit £23.4m).

The financial statements were approved by the board of directors and authorised for issue on 28 June 21 and are signed on its behalf by:


G E Hutton
Director

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £'000	Profit and loss reserve £'000	Merger reserve £'000	Other reserve £'000	Attributable to: Controlling Interests £'000	Attributable to: Non- controlling Interests £'000	Total equity £'000
Balance at 1 January 2020		58	422,224	-	3	422,285	79	422,364
Profit for the year		-	19,816	-	-	19,816	(5)	19,811
Other comprehensive income, net of taxation:								
Currency translation differences on overseas subsidiaries		-	(3,371)	-	-	(3,371)	-	(3,371)
Total comprehensive income/(expense) for the year		-	16,445	-	-	16,445	(5)	16,440
Purchase of a minority interest	29	-	(692)	-	-	(692)	-	(692)
Merger relief	28	-	-	-	-	-	-	-
Dividends	13	-	-	-	-	-	-	-
Balance at 31 December 2020		58	437,977	-	3	438,038	74	438,112

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £'000	Profit and loss reserve £'000	Merger reserve £'000	Other reserve £'000	Attributable to: Controlling Interests £'000	Attributable to: Non- controlling Interests £'000	Total equity £'000
Balance at 1 January 2019		58	418,818	60,001	3	478,880	90	478,970
Profit for the year		-	22,867	-	-	22,867	(11)	22,856
Other comprehensive income, net of taxation:								
Currency translation differences on overseas subsidiaries		-	(2,145)	-	-	(2,145)	-	(2,145)
Total comprehensive income for the year		-	20,722	-	-	20,722	(11)	20,711
Purchase of a minority interest	29	-	(4,970)	-	-	(4,970)	-	(4,970)
Merger relief	28	-	-	(60,001)	-	(60,001)	-	(60,001)
Dividends	13	-	(12,346)	-	-	(12,346)	-	(12,346)
Balance at 31 December 2019		58	422,224	-	3	422,285	79	422,364

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £'000	Profit and loss Reserves £'000	Total £'000
Balance at 1 January 2019		58	6,138	6,196
Profit and total comprehensive income for the year		-	23,437	23,437
Dividend	13	-	(12,346)	(12,346)
Balance at 31 December 2019		58	17,229	17,287
Balance at 1 January 2020		58	17,229	17,287
Loss and total comprehensive expense for the year		-	(15,288)	(15,288)
Dividend	13	-	-	-
Balance at 31 December 2020		58	1,941	1,999

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	31	26,199	10,425
Taxation repaid		1,154	(7,544)
Net cash from operating activities		27,353	2,881
Investing activities			
Purchase of investment properties		(64,142)	(116,188)
Purchase of other tangible fixed assets		(8)	(33)
Proceeds on disposal of investment properties		56,247	135,108
Interest received		235	492
Purchase of minority interest		(692)	(4,970)
Net cash (utilised in)/generated from investing activities		(8,360)	14,409
Financing activities			
Proceeds from borrowings		246,024	207,228
Repayment of borrowings		(200,334)	(237,271)
Interest paid		(17,957)	(18,179)
Settlement of derivative financial instruments		4,214	(5,163)
Cash dividends paid		-	(12,346)
Net cash generated from/(utilised in) financing activities		31,947	(65,731)
Net increase/(decrease) in cash and cash equivalents		50,940	(48,441)
Cash and cash equivalents at beginning of year		57,422	106,791
Foreign exchange gains/(losses) on cash and cash equivalents		145	(928)
Cash and cash equivalents at end of year		108,507	57,422

The notes on pages 27 to 56 form part of these financial statements.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

I.M. Properties Plc ("the company") is a private, limited by shares company domiciled and incorporated in England and Wales. The registered office is The Gate, International Drive, Solihull, B90 4WA.

The company's and the group's operations and principal activities are property investment, management and development.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include investment properties and certain financial instruments at fair value.

The consolidated financial statements are presented in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate those of I.M. Properties Plc and all its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2020.

On 31 December 2019, the group acquired IMP Investments Limited and its subsidiaries. As the group that has been acquired was under common control, the acquisition has applied the principles of merger accounting as this is deemed to be a group reconstruction under FRS102. The results of the entities have been included in these consolidated financial statements as if they had always been part of the group. Hence, the comparative financial statements have been restated to include the acquired entities. The carrying values of the entities' assets and liabilities are not adjusted to fair value. Any difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received is taken to other reserves in equity.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date, of the assets acquired, equity instruments issued, and liabilities incurred or assumed, plus directly attributable costs.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Going concern

The group generated a pre-tax profit of £28.2m (2019 - £24m) in what was one of the most challenging years in its history. This provides strong evidence of the robust and well diversified nature of the group.

As at 31 December 2020 the group had net assets of £438m (2019 - £422m) and included within net current assets were cash deposits of £109m (2019 - £57m). Since the year end the sale of assets has generated significant additional cash and at 31 May 2021 the group cash on hand had increased to £163m with a further £74m of undrawn revolving credit facilities available.

The group has a term loan facility expiring in July 2021. Following the sale of our asset at Blythe Valley in June 2021 this term loan has been fully repaid using part of the proceeds of the sale. However, we have terms agreed with the bank to refinance the remaining assets in the security pool for a further 4 years with full credit approval and we are now working through the documentation with an expectation that this will be completed in Q3 2021, providing additional debt capacity of £32m.

The group also has a £65m facility which currently runs to May 2022. The directors are in discussion with this bank to extend this facility for a further 12 months on the current terms and we do not have any concerns about the willingness of the bank to provide this extension.

The group's cash forecasts and projections show that the group will be able to operate comfortably within its bank facilities and associated covenants for at least 12 months from the date of signing these financial statements.

If we were to experience further COVID related restrictions over the winter, the directors are confident that the group has sufficient liquidity to meet its liabilities as they fall due while retaining substantial cash reserves. On this basis, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for the sale of goods and services to external customers in the ordinary course of business. Turnover is shown net of Value Added Tax.

Turnover comprises rents receivable on the group's investment properties, which is measured on a straight-line basis, taking account of any lease incentives over the lease term.

Turnover also comprises gross sale proceeds on development properties which are recognised on the date of completion or on the date of exchange if an unconditional binding agreement is in place. Additional details on the recognition of turnover on construction contracts is provided in a separate policy note below.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Other tangible fixed assets

Other tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Depreciation is provided at rates calculated to write off the cost of each asset to its estimated residual value on a straight-line basis over its expected useful life, as follows:

Office equipment	20-25% per annum
------------------	------------------

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Investment properties

Investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined by suitably qualified individuals and approved by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss. Acquisitions and disposals of investment properties are usually recognised when unconditional exchange of legally binding and irrecoverable contracts occurs and where it is reasonable to assume at the balance sheet date that completion of the acquisition or disposal will occur.

Gains and losses on disposals are determined by comparing the proceeds, net of sales costs, with the carrying amount and are recognised in other operating income or costs in the statement of comprehensive income.

Investment properties in the course of construction

Properties under construction are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue costs or effort. Changes in fair value are recognised in profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Statement of Comprehensive Income.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Impairment of fixed assets

At each reporting date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Stocks

Land held for development and short-term work in progress are stated at cost including attributable direct overheads reduced to estimated net realisable value where appropriate. No element of profit is included in the valuation of work in progress.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its estimated selling price less costs to complete and sell. Any impairment loss is recognised immediately in profit or loss.

Appropriations of investment property to stock occurs at the point that the intention to hold the asset for an investment return ceases.

Construction contracts

When the outcome of a construction contract in relation to stocks can be estimated reliably, and it is probable that the contract will be profitable, turnover and costs are recognised based on the stage of completion of the contract.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

The group uses the "percentage of completion method" to determine the appropriate amount of turnover and costs to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets, depending on their nature, and provided it is probable they will be recovered.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

(i) Non-derivative financial assets

The group's non-derivative financial assets comprise the following:

Trade and inter group receivables - these are measured on initial recognition at transaction price and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that an asset is impaired.

Cash at bank and in hand - comprises cash on hand and demand deposits that are subject to an insignificant risk of changes in value.

(ii) Non-derivative financial liabilities

The group's non-derivative financial liabilities comprise bank and other borrowings, trade creditors, other creditors and inter group payables. Non-derivative financial liabilities are recognised on initial recognition at transaction price and are subsequently measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments

The group's derivative financial instruments comprise interest rate swaps, interest rate caps and forward foreign exchange contracts. These instruments are initially accounted for and measured at fair value on the date the contracts were entered into and subsequently measured at fair value. The resulting gain or loss is recognised in profit or loss. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

(iv) Hedge accounting – net investment in foreign operations

The effective portion of changes in the fair value of derivatives, being forward foreign exchange contracts that are designated and qualify as net investment hedges are recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement within other operating income or administration expenses as appropriate.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Equity instruments and dividends

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group. Interim dividends are recognised when paid.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profits for the year. Taxable profits differ from total comprehensive income because it excludes items of income or expense that are either non-taxable or non-deductible or are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For investment properties measured at fair value, deferred tax is measured on the fair value gains arising using the tax rates and allowances that apply to the sale of the asset or property.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Retirement benefits

For defined contribution schemes, the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

For multi-employer defined benefit schemes that are unable to separately identify their share of the scheme assets, the respective contributions are treated as if they related to a defined contribution scheme.

Leases

All leases are classified as operating leases.

Rent receivable from operating leases, including lease incentives awarded, are recognised on a straight-line basis over the term of the relevant lease.

Rent payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate prevailing when that fair value was determined.

All such translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries are translated into the group's functional currency of Sterling at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate that the directors consider to be a reasonable approximation to the rate at the date of the transactions. Such translation differences are recognised in other comprehensive income and accumulated in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Reduced disclosures

In accordance with FRS 102, the company in its individual financial statements has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of I.M. Properties Plc. The consolidated financial statements of I.M. Properties Plc are these financial statements.

2 Critical accounting estimates and judgements

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the group's management to exercise judgment in applying the group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Net realisable value of stocks

The Group has ongoing procedures for assessing the carrying value of work in progress and identifying where this is in excess of net realisable value. The estimates and judgements for both revenue and costs for each property under development were based on information available at, and pertaining to, 31 December 2020. Any subsequent adverse changes in market conditions may result in additional provisions being required and margins that have been assumed in the current year not being achieved.

In addition, in preparing these financial statements, the directors have made the following key judgements:

Valuation of investment properties

Valuations performed by suitably qualified individuals and approved by the directors have been used to determine the fair value of investment properties. The valuations are performed according to RICS rules, using appropriate levels of professional judgement for the prevailing market conditions. Professional judgement is applied in determining such things as an appropriate yield for a given property and estimated rental values.

Further information in relation to the valuation of the group's investment property is disclosed in note 15.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover

An analysis of the group's turnover is as follows:

	2020 £'000	2019 £'000
Class of business		
Rental and other income	42,249	48,257
Commercial trading and development	98,989	86,438
Residential trading and development	88,944	89,819
	<u>230,182</u>	<u>224,514</u>

Construction contracts are accounted for in accordance with the accounting policy set out on page 30.

Turnover analysed by geographical market

	2020 £'000	2019 £'000
United Kingdom	196,191	206,739
Rest of the World	33,991	17,775
	<u>230,182</u>	<u>224,514</u>

4 Other operating income

	2020 £'000	2019 £'000
Loss on sale of investment properties	(2,634)	(6,299)
Management charges and other income	20,681	861
	<u>18,047</u>	<u>(5,438)</u>

5 Operating profit

This is arrived at after charging/(crediting):

	2020 £'000	2019 £'000
Fair value gains on investment properties and investment properties under construction	(15,202)	(2,943)
Exchange (gains)/losses	(699)	74
Depreciation of owned tangible fixed assets	55	75
Loss on disposal of investment properties	2,634	6,299
Management charges and other income	(20,123)	(861)
Coronavirus job retention scheme grants	(558)	-
Charitable donation (Note 12)	19,100	-
Cost of stocks recognised as an expense	169,023	151,118
Operating lease expense	2,297	2,297
	<u>2,297</u>	<u>2,297</u>

Details of auditors' remuneration and pension costs included in arriving at operating profit are set out in notes 6 and 7 respectively.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6	Auditor's remuneration	2020 £'000	2019 £'000
	Fees payable to the company's auditor		
	For audit services:		
	Audit of the group's and company's financial statements	42	30
	Audit of subsidiary companies' financial statements	235	240
	For other services:		
	Accountancy services	31	41
	Tax advisory services	11	14
		<u>319</u>	<u>325</u>

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	2020 No.	2019 No.
Property management	<u>132</u>	<u>158</u>

Of the above 132 (2019 - 158) persons employed by the group, 44 (2019 - 44) were employed by the company.

Their aggregate remuneration comprised:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	8,983	10,286	3,309	3,858
Social security costs	1,000	1,122	403	482
Pension costs	748	643	379	301
	<u>10,731</u>	<u>12,051</u>	<u>4,091</u>	<u>4,641</u>

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8	Directors' remuneration	2020	2019
		£'000	£'000
	Salaries and taxable benefits	426	451
	Company contributions to defined contribution pension scheme	60	50
		<u>486</u>	<u>501</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2). A director is also a member of a closed defined benefit scheme for which no retirement benefits were accrued in the year.

Remuneration disclosed above includes the following amounts paid to the highest paid director.

	2020	2019
	£'000	£'000
Salaries and taxable benefits	<u>217</u>	<u>282</u>

Compensation of key management personnel

The total compensation of the employees, who are considered to be the key management personnel of the Group, was £1,258,648 (2019 - £1,189,554). Key management personnel are the senior management team having authority and responsibility for planning, directing and controlling the activities of the Group.

9	Interest receivable and similar income	2020	2019
		£'000	£'000
	Interest receivable	235	492
	Fair value movements on derivative financial instruments	962	2,951
		<u>1,197</u>	<u>3,443</u>

10	Interest payable and similar charges	2020	2019
		£'000	£'000
	Interest on bank overdrafts and loans	8,195	10,122
	Interest on group loans	1,044	61
	Fair value movements on derivative financial instruments	6,761	5,582
	Swap interest payments	2,757	1,708
	Interest on other loans	5,927	5,772
		<u>24,684</u>	<u>23,245</u>

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11	Taxation	2020 £'000	2019 £'000
	Current tax		
	UK corporation tax on profits for the current year	(466)	-
	Adjustments in respect of prior periods	(154)	(142)
	UK income tax for the current year	-	126
	Foreign current tax on profits	(5,234)	1,167
	Adjustment in respect of prior periods in respect of foreign tax	671	(3,039)
	Group relief payable	3,614	4,598
	Total current tax	(1,569)	2,710
	Deferred tax		
	Origination and reversal of timing differences	10,101	349
	Adjustments in respect of prior periods	(334)	(2,063)
	Effect of tax rate change on opening balance	226	-
	Total deferred tax	9,993	(1,714)
	Total tax charge	8,424	996
The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:			
		2020 £'000	2019 £'000
	Profit before taxation	28,235	23,852
	Expected tax charge based on a corporation tax rate of 19% (2019 – 19.00%)	5,365	4,532
	Tax effect of expenses that are not deductible in determining taxable profit	119	188
	Movement in indexation allowance	(2,347)	52
	Profit on disposal of investment properties in excess of capital profits	386	696
	Losses charged to other comprehensive income	-	(38)
	Adjustments in respect of prior years - current tax	(154)	(3,181)
	Adjustments in respect of prior years - deferred tax	(103)	(1,869)
	Difference in foreign tax rates	(2,174)	70
	Deferred tax not recognised	7,802	-
	Rate adjustments to opening and closing deferred tax	-	65
	Other movements	(470)	481
	Tax expense for the year	8,424	996

Charges to deferred tax relating to prior periods relate to fixed asset timing differences.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Charitable donation

	2020 £'000	2019 £'000
Christian Vision	19,100	-

Christian Vision is a registered charity formed by Lord Edmiston, his family and close associates, of which they are trustees. The donation was made in the form of a gift of two investment properties valued at £19,100,000 for no consideration.

13 Dividends

Ordinary shares

	2020 £'000	2019 £'000
An interim dividend was not paid during the year (2019 - £212.83 per share)	-	12,346

14 Other tangible fixed assets

Office equipment

	Group £'000	Company £'000
Cost or valuation		
At 1 January 2020	500	38
Additions	8	-
Disposals	(11)	-
Exchange differences	(4)	-
At 31 December 2020	493	38
Depreciation and impairment		
At 1 January 2020	399	38
Depreciation charged in the year	55	-
Disposals	(11)	-
Exchange differences	(3)	-
At 31 December 2020	440	38
Carrying amount		
At 1 January 2020	101	-
At 31 December 2020	53	-

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Investment properties

Group

	Freehold £'000	Long leasehold £'000	Properties under construction £'000	Total £'000
Fair value				
At 1 January 2020	451,567	65,130	279,203	795,900
Additions	24,454	104	39,350	63,908
Disposals	(50,034)	(23,179)	(4,770)	(77,983)
Exchange translation	-	-	(4,721)	(4,721)
Transfers	38,784	-	(38,784)	-
Fair value gains/(losses)	(11,577)	(10,146)	36,925	15,202
	<u>453,194</u>	<u>31,909</u>	<u>307,203</u>	<u>792,306</u>
At 31 December 2020	453,194	31,909	307,203	792,306

If investment properties and properties under construction were not stated on a fair value basis, they would have been stated at a cost of £762,523,000 (2019 - £795,533,000).

The investment properties are held at fair value as at 31 December 2020 based on internal valuations performed by suitably qualified individuals and approved by the directors.

The group's completed investment properties were valued using a yield methodology approach using unobservable inputs. The significant unobservable inputs used in the valuation at 31 December 2020 were the estimated rental value (ERV) of the property and the market capitalisation rate (yield). The ERV was determined by reference to rents currently achieved on existing leases and the rents being asked by landlords advertising properties of a similar specification in that geographical region. The market capitalisation rate was determined by reference to actual market transactions for properties in that region, with adjustments made where relevant to reflect the particular characteristics of each of the group's properties. The resulting valuations were then cross checked against the initial yields and the fair market values per square foot derived from these actual market transactions.

For certain investment properties under construction the fair value of the property is calculated by estimating the fair value of the completed property using the yield methodology approach less estimated costs to completion and a risk premium (i.e. the residual value method).

A decrease in the ERV or an increase in the market capitalisation rate will typically decrease the fair value of the investment property.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Fixed asset investments

Company

Subsidiary undertakings

	Shares £'000	Loan £'000	Total £'000
Cost			
At 1 January 2020	248,828	249,227	498,055
Additions	693	4,478	5,171
Reclassification	277	(277)	-
Written off	(13,250)	-	(13,250)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	236,548	253,428	489,976
	<hr/>	<hr/>	<hr/>
Provisions			
At 1 January 2020	49,088	-	49,088
Impairment charge in year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	49,088	-	49,088
	<hr/>	<hr/>	<hr/>
Book value			
At 31 December 2019	199,740	249,227	448,967
	<hr/>	<hr/>	<hr/>
At 31 December 2020	187,460	253,428	440,888
	<hr/>	<hr/>	<hr/>

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiary undertakings

Details of the company's subsidiaries at 31 December 2020 are as follows:

Title	Principal activity	Country of incorporation	Class of share	% Held
IM Properties (Europe) Holdings SARL	Holding company	Luxembourg ²	Ordinary	100
IM Properties (Germany) SARL*	Property investment	Luxembourg ²	Ordinary	100
IM Properties (Mainaschaff) GmbH*	Property investment	Germany ³	Ordinary	94.8
IM Properties (Stolberg) GmbH*	Property investment	Germany ³	Ordinary	94
IM Properties (Mainaschaff 2) GmbH*	Property investment	Germany ³	Ordinary	100
I M Property Investments (USA) LLC	Holding company	United States ⁴	Ordinary	100
IM Properties Management LLC*	Property management	United States ⁴	Ordinary	100
USA Real Estate Funding LLC*	Property investment	United States ⁴	Ordinary	100
Bradford IM Westmont Venture LLC*	Property development	United States ⁴	Ordinary	50
IM Kensington MG LLC*	Property development	United States ⁴	Ordinary	50
IM Kensington Residential MG LLC*	Property investment	United States ⁴	Ordinary	50
I M Properties (Illinois 7) LLC*	Dormant	United States ⁴	Ordinary	100
I M Properties (Illinois 8) LLC*	Dormant	United States ⁴	Ordinary	100
I M Properties (Illinois 9) LLC*	Dormant	United States ⁴	Ordinary	100
I M Properties (Illinois 10) LLC*	Dormant	United States ⁴	Ordinary	100
I M Properties (Illinois 11) LLC*	Dormant	United States ⁴	Ordinary	100
I M Properties (Illinois 12) LLC*	Dormant	United States ⁴	Ordinary	100
IM Properties (Wisconsin 1) LLC*	Holding company	United States ⁴	Ordinary	100
IM Brookfield Venture LLC*	Property investment	United States ⁴	Ordinary	100
IM Brookfield WI LLC*	Holding company	United States ⁴	Ordinary	100
Brookfield Corners LLC*	Property investment	United States ⁴	Ordinary	90
Brookfield Residential LLC*	Property investment	United States ⁴	Ordinary	90
Brookfield Parking LLC*	Property investment	United States ⁴	Ordinary	90
IM Kensington Developments LLC*	Property development	United States ⁴	Ordinary	50
IMKD1 LLC*	Property development	United States ⁴	Ordinary	50
IMKD2 LLC*	Property development	United States ⁴	Ordinary	50
I.M. Properties (Australia) Pty Ltd	Holding company	Australia ⁶	Ordinary	100
I.M. Duporth Pty Ltd*	Property development	Australia ⁶	Ordinary	100
Spitfire Property Group Ltd	Holding company	England & Wales ¹	Ordinary	100
Spitfire Bespoke Homes Ltd*	Property development	England & Wales ¹	Ordinary	100
Spitfire Properties (Newhall) Ltd*	Property development	England & Wales ¹	Ordinary	100

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiary undertakings (continued)

Title	Principal activity	Country of incorporation	Class of share	% Held
I.M. Properties Investment Ltd	Property investment and development	England & Wales ¹	Ordinary	100
I.M. Properties (Logistics) Ltd*	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (Abbey) Ltd*	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (Longton) Ltd*	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (WHB) Ltd*	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (BVP 1) Ltd*	Property investment	England & Wales ¹	Ordinary	100
BVP Management Company Ltd*	Property Management	England & Wales ¹	Ordinary	57.5
I.M. Properties (Mell Square 1) Ltd*	Property Investment	England & Wales ¹	Ordinary	100
I.M. Properties (Coleshill) Ltd*	Property Investment	England & Wales ¹	Ordinary	100
IM Properties Investments HSBC 2 Ltd*	Property Investment	England & Wales ¹	Ordinary	100
IM Properties Investment SHB 2 Ltd*	Property Investment	England & Wales ¹	Ordinary	100
IMP Investments Limited*	Property Investment	England & Wales ¹	Ordinary	100
IMP Investments RBS Ltd*	Property Investment	England & Wales ¹	Ordinary	100
IMP Investments RBS 2 Ltd*	Property Investment	England & Wales ¹	Ordinary	100
IMP Investments LBG Ltd*	Property Investment	England & Wales ¹	Ordinary	100
IMP Investments SHB Ltd*	Property investment	England & Wales ¹	Ordinary	100
IMP Investments HSBC Ltd*	Property investment	England & Wales ¹	Ordinary	100
Watad (UK) Properties Limited*	Property investment	England & Wales ¹	Ordinary	100
IMP Hill Top Estates Ltd*	Property development	England & Wales ¹	Ordinary	100
Grove Asset 1 Sarl*	Property investment	Luxembourg ²	Ordinary	100
Grove Asset 10 Sarl*	Property investment	Luxembourg ²	Ordinary	100
I.M. Properties Development Ltd	Property investment and development	England & Wales ¹	Ordinary	100
IMP Development Management Ltd*	Property investment and development	England & Wales ¹	Ordinary	100
I.M. Properties (BVP 2) Ltd*	Property investment and development	England & Wales ¹	Ordinary	100
IM Properties (BVP3) Ltd*	Property development	England & Wales ¹	Ordinary	100
I M Properties Strategic Land Group Ltd	Holding company	England & Wales ¹	Ordinary	100
IM Land 1 Ltd*	Property development	England & Wales ¹	Ordinary	100
IM Land 2 Ltd*	Property development	England & Wales ¹	Ordinary	100
IM Land 3 Ltd*	Property development	England & Wales ¹	Ordinary	100
IM Land 4 Ltd*	Property development	England & Wales ¹	Ordinary	100
I.M. Properties (Croydon) Ltd	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (Guildford 2) Ltd	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (Reading 2) Ltd	Property investment	England & Wales ¹	Ordinary	100
IMP Residential 2 Ltd	Property development	England & Wales ¹	Ordinary	75.2
Meaujo (Properties) PLC	Property investment and development	Scotland ⁵	Ordinary	100

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiary undertakings (continued)

Title	Principal activity	Country of Incorporation	Class of share	% Held
First Residential Investment Limited	Holding company	England & Wales ¹	Ordinary	100
Spitfire Homes Holdings Ltd	Dormant	England & Wales ¹	Ordinary	100
IMP Residential Capital Markets Ltd	Property development	England & Wales ¹	Ordinary	100
I.M. Properties Finance Ltd	Property investment	England & Wales ¹	Ordinary	100
I.M. Properties (Maidenhead) Limited	Property investment	England & Wales ¹	Ordinary	100

*held indirectly

Registered Office

1. The Gate, International Drive, Solihull, B90 4WA
2. 58 rue Charles Martel, L-2134 Luxembourg
3. Eschenheimer Anlage 1, 60316 Frankfurt am Main, Germany
4. 77W. Wacker Drive, Suite 4025, Chicago, Illinois 60601, USA
5. 18 Bon Accord Square, Aberdeen, AB11 6DJ, United Kingdom
6. Sunshine Coast, Level 3, 2 Emporio Place, 2 Maroochy Blvd, Maroochydore, QLD, 4558, Australia

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18	Stocks	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
	Work in progress	192,236	158,468	-	-
	Land held for development	41,514	43,199	-	-
		<u>233,750</u>	<u>201,667</u>	<u>-</u>	<u>-</u>
19	Debtors	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
	Trade debtors	17,851	17,784	11,880	15,500
	Corporation tax recoverable	8,488	-	24,359	21,156
	Amounts due from fellow group undertakings	19,881	-	356,216	250,614
	Derivative financial instruments (note 22)	4,694	5,547	4,442	-
	Other debtors	3,768	26,265	1,140	6,387
	Prepayments and accrued income	18,833	26,158	58	43
	Deferred tax asset (note 25)	977	11	3	3
	Other taxes	1,234	-	1,437	-
		<u>75,726</u>	<u>75,765</u>	<u>399,535</u>	<u>293,703</u>

Included within group debtors is a deferred tax asset of £977,000 (2019 - £11,000) due after more than one year. Included within company debtors is a deferred tax asset of £3,000 (2019 - £3,000) due after more than one year.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Creditors: Amounts falling due within one year

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans	157,559	60,268	-	-
Derivative financial instruments	1,002	-	752	-
Trade creditors	13,640	15,482	-	-
Other loans	186,001	195,001	55,000	64,000
Amounts due to fellow group undertakings (note 29)	50,000	45,406	832,802	684,544
Corporation tax	-	415	-	-
Other creditors	8,989	10,584	74	-
Accruals and deferred income	39,923	28,003	2,562	805
VAT payable	-	4,350	129	-
	<u>457,114</u>	<u>359,509</u>	<u>891,319</u>	<u>749,349</u>

Included within Other loans are amounts totalling £55.0m (2019 - £64.0m) that are secured on the share capital of I.M. Properties Plc. Further details of the Other loans are given in note 29 to these financial statements.

21 Creditors: Amounts falling due after more than one year

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loans and overdrafts	287,562	337,022	-	-
Derivative financial instruments	10,463	5,743	2,739	2,144
	<u>298,025</u>	<u>342,765</u>	<u>2,739</u>	<u>2,144</u>

Bank loans totalling £396.2m (2019 - £346.8m) are secured by fixed and floating charges on the assets of a number of subsidiaries and additional charges over the rental income of those subsidiaries. These loans are either repayable on expiry or, where a property acquired with the loan has been disposed of, by a repayment of a proportion of the loan unless a property of similar value is substituted. The repayment expiry dates range from April 2021 to June 2023.

The group headed by I.M. Properties Plc operates a combined hedging policy on its bank debt against interest rate movements utilising a combination of interest rate cap and swap contracts. As at 31 December 2020 the group had hedged 76% of sterling debt and 65% of debt in total across the group worldwide (2019 - 78% and 84% respectively).

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Creditors: Amounts falling due after more than one year (continued)

The maturity of the group's sources of debt finance are as follows:

Borrowings	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans	396,192	346,834	-	-
Other loans	284,930	290,863	105,000	109,406
	<u>681,122</u>	<u>637,697</u>	<u>105,000</u>	<u>109,406</u>
Payable within one year	393,560	300,675	105,000	109,406
Payable within one to two years	126,806	156,300	-	-
Payable within two to five years	160,756	180,722	-	-
	<u>681,122</u>	<u>637,697</u>	<u>105,000</u>	<u>109,406</u>

Included in other loans is amounts due from fellow group undertakings classified as debt.

22 Financial instruments

	Group 2020 £'000	2019 £'000
Carrying amount of financial assets		
Derivative financial instruments measured at fair value through profit or loss	4,694	5,547
Debt instruments measured at amortised cost	153,134	121,341
	<u>157,828</u>	<u>126,888</u>
Carrying amount of financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	11,465	5,743
Financial liabilities measured at amortised cost	735,629	679,782
	<u>747,094</u>	<u>685,525</u>

Information regarding the group's exposure to and management of liquidity risk, market risk, cash flow interest rate risk and foreign exchange risk is included in the Strategic Report.

The group uses derivative financial instruments (interest rate swaps and caps) to hedge interest rate risk exposures. Interest rate swaps are used to alter the interest rate basis of the group's and subsidiaries' debt, allowing changes from fixed to floating rate or vice versa. These either cap or fix the interest rate chargeable on a portion of the group's bank loans.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Financial instruments (continued)

At 31 December 2020, if interest rates on borrowings at that date had been 100 basis points higher with all other variables held constant, post-tax profit (2019 – post-tax profit) for the year would have been £1,110,737 lower (2019 - £422,499 lower), mainly as a result of interest rate exposure on floating rate borrowings.

The notional principal amount of outstanding interest rate swap contracts at 31 December 2020 was £259,064,000 (2019 - £294,673,000). At 31 December 2020, the fixed interest rates vary from 1.04% to 3.05% and floating rates from 0.05% to 0.06% (2019 – fixed interest rates vary from 1.4% to 2.00% and floating rates from 0.77% to 0.92%).

The group's derivative financial liabilities are measured at fair value of £11,465,496 (2019 - £5,060,767) and comprise interest rate swaps, interest rate caps and foreign exchange trades (2019 – interest rate swaps, interest rate caps and foreign exchange trades).

The fair value of the group's derivative financial instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Hedge accounting – net investment in foreign operations

The group uses foreign exchange contracts to hedge the foreign currency gains and losses arising on its investments in overseas operations. The fair value of the foreign exchange contracts is an asset of £4,694,000 (2019: asset - £5,541,000) with £Nil (2019 - £Nil) shown within financial liabilities and £4,694,000 (2019 - £5,541,000) shown within financial assets. During the year, there was no recorded ineffectiveness in the hedge and as such the whole of the profit in the year of £3,126,000 (2019: profit - £1,456,000) has been included in currency translation differences in other comprehensive income.

23 Operating leases

At the year end, the Group had contracted with tenants, under non-cancellable operating leases on its investment properties, for the following future minimum lease payments:

	Group	
	2020 £'000	2019 £'000
Amounts receivable:		
Within one year	32,508	35,710
Between one and five years	126,472	138,633
After five years	342,474	346,369
	<hr/>	<hr/>
	501,454	520,712
	<hr/>	<hr/>

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Operating leases (continued)

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£'000	£'000
Amounts due:		
Within one year	2,297	2,297
Between one and five years	9,188	9,188
After five years	147,008	149,305
	<hr/>	<hr/>
	158,493	160,790
	<hr/>	<hr/>

The above operating lease represents the lease of two properties from a third party. The lease extends over a term of 69 years (2019 - 70 years), fixed rentals are currently being negotiated as part of a rent review which commenced November 2019. There is an option in place to extend the lease for a further 49 years in 2089.

24 Provisions for liabilities

	Group deferred taxation £'000	Company deferred taxation £'000
Balance at 1 January 2020	6,217	515
Charged/(credited) to profit and loss	10,874	(431)
	<hr/>	<hr/>
Balance as at 31 December 2020	17,091	84
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I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25	Deferred taxation	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
	Deferred tax liabilities	17,091	6,217	84	515
	Deferred tax assets	(977)	(11)	(3)	(3)
	Net position at 31 December 2020	16,114	6,206	81	512

The major deferred tax liabilities and assets recognised are:

Deferred tax liabilities:	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Accelerated capital allowances	2,933	2,671	-	-
Derivative financial instruments measured at fair value	-	-	84	515
Valuation of investment properties	14,158	3,546	-	-
Total	17,091	6,217	84	515

Deferred tax assets:	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Valuation of investment properties	977	11	3	3
Derivative financial instruments measured at fair value	-	-	-	-
Short term timing differences	-	-	-	-
Total	977	11	3	3

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Deferred taxation (continued)

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax b/f	6,206	8,134	512	(167)
Movement to profit and loss	10,101	(1,714)	(431)	679
Movement to other comprehensive income	(193)	(214)	-	-
	<u>16,114</u>	<u>6,206</u>	<u>81</u>	<u>512</u>

26 Retirement benefits schemes

The group is a member of the I.M. Group Limited pension scheme, a defined contribution scheme.

Until the 31 December 2012 the group's principal pension arrangement was the International Motors Limited Retirement Benefits Scheme ("The Scheme"), a defined benefit scheme. With effect from 1 January 2013, The Scheme was closed to future accrual, at this date all active members were transferred to defined contribution arrangements. The Scheme had previously closed to new members on the 1 January 2003. The Scheme provides members with benefits related to salary and service at rates defined under the rules. The benefits are financed by payments to administered funds held separately from the group. From 6 April 1997, members were contracted out of SERPS on a money purchase basis, whilst maintaining a minimum guaranteed pension. From 1 January 2003, a stakeholder Pension Plan, which is of a defined contribution nature, has been available to new employees and other entrants.

Group companies contribute into The Scheme. The assets of The Scheme cannot be allocated separately between the group companies and therefore the group's contributions are treated as if The Scheme were a defined contribution scheme.

Full details of the defined benefit scheme can be seen in the financial statements of International Motors Limited, which are available to the public and may be obtained from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The group participates in other pension arrangements for senior executives; such schemes are of a defined contribution nature.

The group charge for all schemes for the period was £627,212 (2019 - £643,227). An amount of £7,094 was due to the company at the year-end (2019 - £7,613).

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Commitments and contingent liabilities

IM Properties PLC has entered into a guarantee in relation to a private rental scheme in Birmingham. The maximum contractual liability in relation to the guarantee is £40m (2019 - £40m). The guarantee is in place for the duration of the build and rectification periods, which achieved practical completion in April 2020. The rectification period expired April 2021, being 12 months from practical completion and no claims were made.

IM Properties PLC has entered into a similar guarantee for another private rental scheme, this time in Cardiff. The maximum contractual liability in relation to the guarantee is £52.2m (2019 - £50.6m). The guarantee remains in place for the duration of the build and rectification period, which will achieve practical completion in August 2022. The rectification period expires August 2024, being 24 months from practical completion and the guarantee remains in force throughout this period.

IM Properties Development Ltd has entered into a guarantee in relation to a bond facility that Spitfire Bespoke Homes Ltd have with our external bond providers (NHBC, Premier, Checkmate, LABC) of £1.3m (2019 - £1.3m) should there be any default in contracted housing activity by Spitfire Bespoke Homes Ltd.

IM Properties PLC and IM Property Investments (USA) LLC have entered into limited guarantees in relation to bank funding for a series of construction and development loans in the United States. As at 31 December 2020 the combined maximum exposure of these guarantees is \$45.7m. (2019 - \$35.3m). The loans underlying the guarantees run on average for two years. The current loans will terminate between June 2021 and February 2023, the guarantee will fall away when the loan facility is repaid and cancelled.

At 31 December 2020 the group had gross capital commitments of £199m of which £154m is covered by forward funding agreements and committed construction loans, resulting in a net commitment for the group of £46m. (2019 - £30.3m).

28 Share capital and reserves

Ordinary
shares of £1
each
Number

Allotted, issued and fully paid:

At 1 January 2020 and 31 December 2020

58,010

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Share capital represents the funds that the company has raised in exchange for issuing an ownership interest in the company.

Reserves

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Share capital and reserves (continued)

Non-controlling interest

The equity in subsidiaries not attributable, directly or indirectly, to the owners of the Company.

Other reserve

Non-distributable capital reserve.

Merger reserve

The merger reserve is a non-distributable reserve created by the exercise of s611 group reconstruction relief in connection with the acquisition of IMP Investments Limited and its subsidiaries on 31 December 2019. The balance as at 31 December 2020 represents the book value of the shares in IMP Investments Limited that had not been purchased by the group at that date.

29 Related party transactions

The company is controlled by I.M. Group Limited, which owns 100% of the issued share capital. The company's ultimate controlling party is Lord Edmiston who has control of the issued share capital of I.M. Group Limited through his interest in IMG Jersey Holdings Ltd, the ultimate parent company.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 section 33.1A not to disclose transactions with wholly owned subsidiaries of I.M. Group Limited.

During the year, management fees of £448,563 (2019 - £539,761) were charged to Christian Vision. Christian Vision is a registered charity formed by Lord Edmiston, his family and close associates, of which they are trustees. At the year-end amounts of £538,276 (2019 - £644,412) were due from Christian Vision.

On 23 December 2020 a charitable donation of two investment properties with a market value of £19,100,000 was made to Christian Vision for no consideration.

The group has a US dollar denominated, unsecured loan from Lord Edmiston repayable by 31 December 2024. At the year-end £48,929,000 (2019 - £50,456,000) was due to Lord Edmiston. Interest of £2,397,997 (2019 - £2,472,358) has been charged to profit and loss on this loan in the year.

The group has a further unsecured loan from Lord Edmiston of £71,000,000 (2019 - £71,000,000). The loan is interest free and repayable on demand.

At 31 December 2020, a balance of £77,069 (2019 - £77,069) was due from Lord Edmiston for recharged costs.

IM Duporth Pty Ltd had previously entered into a development contract in 2015 with Lord Edmiston to build a residential unit for cost plus a market level management fee. The development completed in 2020 at a total profit of £503,659. Sale proceeds of £13,004,027 were received during the year.

The group has a series of short-term loan facilities with the International Motors Executive Pension Scheme, of which Lord Edmiston and his close family are trustees and beneficiaries. At the year-end £55,000,000 (2019 - £64,000,000) was due to the Pension Scheme. Interest of £1,633,876 (2019 - £1,762,419) has been charged to profit and loss on these facilities during the year.

In 2019 the company acquired 100% of the issued capital of Spitfire Property Group Ltd for a consideration of £5,662,000. A final payment of £692,000 was made during the year. Spitfire Property Group Ltd have a direct holding of 14.3% in Spitfire Bespoke Homes Ltd. The acquisition has given IM Properties Plc a 100% interest in Spitfire Bespoke Homes Ltd.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Related party transactions (continued)

One director has an interest free loan from I.M Group Ltd, the parent company. The amount outstanding at 31 December 2020 was £2,008,169 (2019 - £393,369).

The group held a 1% interest in Orland Park LP. The remaining 99% being held by Lord Edmiston. At 31 December 2019 £398,541 was due from Orland Park LP. On the liquidation of Orland Park LP in the year the outstanding balance of £398,541 was settled.

During 2018 Spitfire Bespoke Homes Ltd entered into a contract to build a house for a member of the group senior management team for a consideration of £1,023,062. The contract was completed in June 2020.

At 31 December 2019 the group acquired the share capital of IMP Investments Limited for £60,001,000 which represented the book value of the investment held by IMG Jersey Holdings Ltd. At 31 December 2020 the balance remains outstanding.

30 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of I.M. Group Limited. The ultimate parent company, IMG Jersey Holdings Ltd is incorporated in Jersey.

The largest group in which the results of the group are consolidated is that headed by I.M. Group Limited, incorporated in England & Wales. The consolidated accounts are available to the public and may be obtained from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Cash generated from operations

	2020 £'000	Group 2019 £'000
Profit for the year	19,811	22,856
Adjustments for:		
Tax expense recognised in profit or loss	8,424	996
Fair value gains on investment properties and properties under construction	(15,202)	(2,943)
Charitable donation of investment properties	19,100	-
Rent smoothing adjustment for lease incentives	968	(1,427)
Fair value losses (gains) on derivative financial instruments	5,799	(3,815)
Foreign exchange (gains) / losses	(4,207)	5,006
Loss on disposal of investment properties	2,634	6,299
Depreciation and impairment of tangible fixed assets	55	75
Interest receivable	(235)	(492)
Interest payable	17,923	18,345
Operating cash flows before movements in working capital	55,070	44,900
(Increase) in stock	(31,983)	(14,455)
Decrease/(Increase) trade and other debtors	(1,624)	(13,574)
Increase/(Decrease) in trade and other creditors	4,736	(6,446)
Cash generated from operations	26,199	10,425

Net debt reconciliation

	At 1 January 2020 £'000	Cash flow £'000	Other non- cash changes £'000	At 31 December 2020 £'000
Cash at bank and in hand	57,422	50,940	145	108,507
Bank loans	(346,834)	(50,096)	738	(396,192)
Other loans	(290,863)	4,406	1,527	(284,930)
Interest rate derivative financial instruments	(5,743)	-	(5,722)	(11,465)
Total	(586,018)	5,250	(3,312)	(584,080)

I.M. PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Net debt reconciliation (continued)

Non-cash movements relate to:

- Foreign exchange gains/(losses) on cash at bank, bank loans and other loans denominated in foreign currencies
- Interest rate derivative financial instruments: this represents the movement in the fair value of the derivative

There are cash and cash equivalent balances amounting to £8,140,000 over which the Group's lender has security.

32 Post balance sheet events

Since the year end the group has completed on investment property sales for a total consideration of £300,325,000 from which bank funding of £125,067,000 has been repaid.

The group also completed on a land sale for £95,000,000 and entered into a forward funding agreement to develop the site.

In May and June 2021, the group utilised surplus funds to repay bank borrowings of £58,138,000.