

I.M. Group Limited

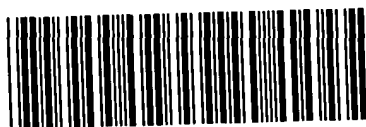
Report and Consolidated Financial Statements

Year Ended

31 December 2019

Company Number 03456018

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I.M. GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019

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Company number

03456018

Auditor

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I.M. GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report and the financial statements for the year ended 31 December 2019.

Review of the business

The Consolidated Statement of Total Comprehensive Income is set out on page 21 and shows the profit for the year.

The Group is in a healthy financial position with net assets of £654.7 million (2018 - £692.5 million) and is seeking to expand its activities through the development of existing business and acquisitions. The directors consider it important for the Group to retain its cash and short-term resources to finance such opportunities when they arise.

The directors are satisfied with the performance of the Group during the year.

The Group operates in three distinct sectors which provides for a diversification of risk to the Group. The principal activities of the Group are:

- property investment, management, development and construction;
- the importation and franchised distribution of motor vehicles and parts in the United Kingdom, Ireland, Sweden, Denmark, Finland and the Baltic Republics;
- and the provision of and servicing of finance, and the selling of related financial products.

(i) Property division

Against a backdrop of economic and political uncertainty, the Property division has continued to outperform the market, achieving a profit before tax in 2019 of £23.8m (2018 – £47.2m) despite operating in a challenging and low return environment.

The primary key performance indicator for the Property business is 'Total Return on Capital Employed (before tax)' which for the year under review was 4%. This compares favourably with the MSCI IPD UK index which shows a 0.7% total return for 2019.

The diversified structure of the Property division provides a stable base with strong positive cash generation from the core investment portfolio, which has remained resilient through the COVID-19 pandemic to date. 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.

On 31 December 2019 I.M. Properties Plc acquired the share capital of IMP Investments Ltd, a property investment Group under common control. This has been accounted for under merger accounting rules and the information in these financial statements is therefore presented as if these Groups had always been consolidated. This restructuring represented the final stage of a larger exercise executed on 16 December 2019 to align the statutory entities within the Group more closely with the trading divisions, improving the efficiency of reporting while providing a more straightforward presentation of financial information to key stakeholders including our funding partners, ultimate shareholder and employees.

The balance of the investment portfolio has continued to shift towards higher quality, longer income assets, which is in line with the investment strategy. The benefits of this strategy are realised in the form of greater liquidity, together with increased resilience of capital values. This shift in the portfolio risk profile has enabled the Group to expand its development operations while maintaining an acceptable overall level of risk across the Group. However, the Group had retained some exposure to the retail sector in the UK where we have seen significant pressure on values, in particular for high street retail, leading to a write down of £32m across the retail assets within the investment portfolio at 31 December 2019. This was mitigated by gains on other asset classes of £13m to give a total write down on the investment portfolio of £19m, which represented a 3.6% fall in the total portfolio.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Review of the business (continued)

Property division (continued)

The portfolio mix and covenant strength has supported income through the initial stages of the COVID-19 pandemic with Q1 2020 rent collection at 87%.

The commercial development division generated a profit of £32m (2018 - £36m) as projects at early stages in 2018 have progressed through 2019. The pipeline of future commercial development sites remains strong and at the time of this report the Group controls sites capable of delivering in excess of 15m sq ft of logistics space, primarily around the Midlands with a GDV in excess of £1.5bn.

In April 2020, the Group achieved practical completion on our first Build to Rent scheme in Birmingham. Following the success of this we are now underway with our second major city centre scheme, in Cardiff and under construction of a low rise Build to Rent scheme at Blythe Valley Park.

In 2019, Spitfire Bespoke Homes, our housebuilding division, reported a turnover of £70m (2018 – £70m). The average sale price increased to £705,000 from £413,000 compensating for a reduction in the number of plots sold from 170 to 99 as a result of the change in mix of house types completed. This generated a profit of £0.3m for the year before accounting for £0.6m of exceptional costs related to the closure of the southern regional office.

Following a change of Spitfire's management team at the end of 2018 and a detailed review of all elements of the business, the Company has developed a clear strategy focussed on continuing the delivery of the outstanding homes that are now synonymous with the Spitfire Brand while leveraging the latest technology to drive improvements throughout the technical, commercial, construction and aftersales phases. As part of this strategic review, Spitfire closed its southern office based in Maidenhead to refocus the business on its core locations where the directors believe there is the greatest opportunity.

While there are some significant short-term challenges to the housing market as we move through the deep recession following the COVID-19 pandemic, the long-term fundamentals underpinning the UK private housing market remain sound and may even strengthen further in the geographical locations in which Spitfire operates.

In the US, the development of a flagship lifestyle centre at Brookfield, Wisconsin with 400,000 sq ft of retail and 244 residential apartments has continued. With 98% occupancy rates consistently demonstrated on the residential units and over 80% of the built commercial space expected to be open by the end of 2020 despite delays arising from the COVID-19 pandemic. The Property Division's Directors are confident that the exceptional performance shown by many of the current retail and leisure operators will be underpinned as the centre moves towards stabilisation. While COVID-19 had forced closures of non-essential retail, our grocery anchor has performed well and rent collection from the residential units has seen no appreciable impact from the pandemic to date.

The US division is now onsite with four developments and has control of a further two sites in the Chicago area together with our Joint Venture partner Kensington Development Partners.

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

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Review of the business (continued)

(ii) Automotive division

Consolidated turnover for the year was £379.9m (2018 - £414.3m) and the Group achieved a Gross Profit of £66.6m (2018 - £81.5m). After the deduction of overheads the Group generated an operating profit of £21.2m (2018 - £27.4m).

The directors are pleased with the performance of the Group in 2019. The primary drivers of this year's result is the performance of Subaru Nordic AB ('Subaru Nordic') and Isuzu (UK) Limited ('Isuzu UK'). The Automotive Division's results are supported by the stability of aftersales profits in I.M. Parts and Service Limited and profit from an associated entity, International Motors Finance Limited.

Subaru Nordic saw strong sales in 2019 which was in line with expectations. The Nordic business is built on a strong established dealer network and the business prides itself on customer satisfaction and good brand positioning.

Isuzu UK's performance in 2019 was strong with vehicles primarily sold to private and small business customers.

Isuzu's current D-Max model features a 1.9 litre turbo diesel engine, producing 162bhp and 360Nm of torque. The vehicle retains its 3.5 tonne towing capacity and one tonne payload. The new engine is quieter, for a more refined driving experience. Importantly, the vehicle is compliant with Euro 6 emission standards. The model has proven popular to both lifestyle and commercial customers alike. The Group looks forward to the all new, class leading pick up from the manufacturer. In 2019 Isuzu UK purchased a high volume of stock from the manufacturer in order to accommodate a production gap before introduction of the new model in 2020. Isuzu UK and its dealer network have been successful in realising this stock as the current model continues to compete in the market place and win industry awards.

Subaru UK's performance has been satisfactory. The Group is positive about the outlook for the brand having success in selling the self-charging hybrid product into the dealer network from December 2019. Subaru UK has also seen a new dedicated internal management structure for 2019 which is positive for the brand and the relationships with the manufacturer.

2019 was a positive year for I.M. European Motors Limited. In a declining automotive market, back almost 6%, Citroen's market share increased to 1.75% in 2019. In the Light Commercial Vehicle (LCV) market, Citroen's market share increased by 4.84%, with the Citroen Berlingo being the fifth best-selling van in the market. In Quarter 3 2019, Citroen was the fastest growing mainstream brand in Ireland. Passenger registrations were up 29%. This was on the back of the new Citroen C5 Aircross which was introduced in April 2019 and improved sales of the Citroen C3 and Citroen C3 Aircross. The Citroen C5 Aircross has already made a big impression in the growing CSUV segment. Citroen's range of vehicles are very competitive on CO2 emissions and specification.

The Automotive division continues to benefit from the diversity provided by the different franchises and the exposure to markets in different countries. The directors expect this market sector knowledge to enable the International Motors Group to continue supporting the development of emerging brands in the UK and Nordic markets and to enable it to look for other investment opportunities, while delivering sustainable profits in line with the long-term strategies of the Group.

The latest revaluation of the defined benefit pension deficit was performed by the Group's actuaries as at 31 December 2019. Actuarial losses recognised on the scheme's assets are taken to Other Comprehensive Income. 2019's Balance Sheet sees an increase in the scheme deficit to £5.3m (2018 - £3.5m). The scheme continues to be funded as required and the Group has than sufficient liquid assets to honour the scheme deficit obligations.

I.M. GROUP LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Review of the business (continued)

(iii) Finance division

In 2015 the I.M. Group commenced a new loan venture under the directly owned entity Specialist Motor Finance Limited, which has made progress on improving its service proposition to third party introducers and as a result the directors expect consumer loan assets to grow rapidly in the foreseeable future.

In 2019 Specialist Motors Finance Limited generated a profit before taxation of £3.0m (2018 - £1.5m). New loan originations increased significantly as anticipated and consequently consumer loan assets have grown to £138.3m (2018 – £102.9m).

The finance business has adopted a very clear strategy around new loan acquisition. The product range has been developed during the year to better suit market and consumer demands and this will enable the business to grow profitably moving forward. The business is focused on offering simple products that are easy for stakeholders to understand. The aim is to build a sustainable business model.

COVID-19

In December 2019 cases of a novel corona virus ("COVID-19") were reported to the World Health Organization ("WHO") and subsequently spread worldwide. The WHO announced COVID-19 as a global health emergency on January 30, 2020, which prompted national governments to begin putting actions in place to slow the spread of COVID-19 worldwide. On March 11, 2020, the WHO declared COVID-19 a global pandemic and recommended containment and mitigation measures. Given that the declaration of a global health emergency did not happen until January 2020 the impacts of COVID-19 are considered by the directors (as supported by relevant accounting authorities) as being a non-adjusting events for the Group.

After close monitoring and taking into consideration the guidance from the governments (for all jurisdictions), in an effort to mitigate the spread of COVID-19, there have been some temporary limitations on the ability of the Automotive division to trade due to the inability of UK franchised motor dealers (since the end of March 2020) to continue to operate on a face-to-face basis during the lock down period from their showroom premises. Whilst dealers have had opportunities to service and repair vehicles for essential workers, many UK dealers have made the commercial decision to downsize operations through use of the government staff furlough arrangements and as such have temporarily ceased trade for all but urgent repair work. The Swedish Government have mandated lighter business restrictions and as such, motor dealers have not been forced to close their premises. Local social distancing practices in Sweden have, however reduced dealership footfall significantly and reduced the sale of vehicles and parts sales from the levels experienced in 2019.

The Property division anticipates rent collections reported for the second quarter of 2020 to be lower than original expectations, despite the extension of government support for tenants. The Group owns a number of hotels, for which the tenants have been withholding rent.

Residential house completions to date have held up well with reserved plot sales completing during the lockdown period and strong online interest as we emerge from the lockdown, which we hope to see converted to further sales now that the show homes are able to reopen.

Commercial developments have continued as these tend to be long to medium term projects.

The Group continues to monitor developments, including government requirements and recommendations to evaluate how it can safely continue its business operations, and work with its business partners on how and when it can continue to trade accordingly.

I.M. GROUP LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Review of the business (continued)

Funding and going concern

The Group generated pre-tax profit of £39.8m in the year to 31 December 2019 (2018 - £77.4 m) and had net assets of £654.7m at 31 December 2019 (2018 - £692.5m). Included within net current assets is a positive 'Cash at Bank and in Hand' position of £120.9m (2018 - £196.2m). The directors of I.M. Group Limited and its subsidiaries ('the Group') have prepared a detailed cash flow forecast ("the forecast") for the Group for the period to 31 July 2021 ("the period") which shows the Group trading cash flows and expected available bank facilities for the period.

The executive directors of I.M. Group Limited and were fully involved in the preparation and detail of the Group forecast. The funding facilities available to the Group are generally term loans or overdrafts and are primarily in place for at least the period. The bank funding facilities are subject to covenants. The I.M. Group funding facilities also include short term funding of £195m provided by the ultimate controlling party and the pension scheme of the ultimate controlling party.

The forecast shows that the Group will be able to operate and meet its external liabilities as they fall due for payment during the period within available borrowings and other funding. The forecast also shows that the Group will continue to meet its covenant requirements during the period. The forecast includes the assumption that short term funding provided by the ultimate controlling party and the pension scheme of the ultimate controlling party will remain fully available to the Group during the period. The ultimate controlling party has provided a formal agreement that no repayment of short-term funding amounting to £195m will be requested during the period. The rules of the pension scheme of the ultimate controlling party mean that they have not been able to provide formal agreement that no repayment can be requested in the period.

In the preparation of the forecast and these financial statements the directors have considered the impact of COVID-19 and consider that the risk and impact on the Group is difficult to assess at this stage of the pandemic even though lock-downs have eased throughout Europe and other key market countries. It is noted that (1) the timing of the return to more normal trading and revenue generation is not clear at this stage; (2) there remains the risk of a return to lock-down (nationally or regionally) that could further impact revenues and (3) there is a difficulty in forecasting during a period of such significant change with key impacts not yet fully known.

In preparing the forecast, the key assumptions for the Automotive Division include a prudent period of six months shut down of the UK dealers for vehicle sales followed by a gradual return to pre COVID-19 sales rates, reductions in areas of discretionary spend, as well as the furlough of a large number of operational UK staff. The base case assessment shown by the forecast is that the key risk to the Group is expected to be relatively short term as a result of a reduction in revenue in key markets. The actual Group results for April (the first full month of lock-down) showed a significant reduction in sales volume and revenue and further reductions for May, June and subsequent months (varying percentages) are also included in the forecast. In broad terms the forecast assumes significantly reduced revenues for the period but with the reductions decreasing over time.

In preparing the forecasts for the Property Division the Directors have taken prudent assumptions to reflect the impact of COVID-19 on the forecast level of house sales and rental income, the impact on forecast commercial lettings, property sales, property values and cost overruns and project delays caused by potential supply chain disruption.

The group's cash flow forecasts and projections, taking account of what in the opinion of the directors represents a reasonable worst case scenario in trading performance including the potential impact of COVID-19, offset by mitigating actions within the control of management including reductions in areas of discretionary spend, show that the Group will be able to operate with sufficient financial headroom for the period to the end of July 2021, and within its bank and associated covenants.

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Review of the business (continued)

Funding and Going Concern (continued)

It is difficult to predict the full overall outcome and impact of COVID-19 at this stage and the duration of the disruption of post lock down activity together with the longer term effect on the global economy could be longer than anticipated. The Directors consider that the forecasts prepared for the going concern assessment reflect a reasonable worst case trading position for the Group and that this still shows significant headroom available for all months during the period. After careful consideration the Directors consider that the Group forecast is achievable, that sufficient facilities will continue in place throughout the period in order for the Group to operate and meet its liabilities as they fall due for payment. Therefore the Directors consider that it is appropriate to prepare the financial statements on a going concern basis. The directors have also considered the implications of a no-deal as the UK completes its exit from the European Union but this is not expected to have a significant impact.

Monitoring and managing risk

The Group has an established, structured approach to risk management. The Group's activities expose it to a variety of financial risks, including the effects of market changes, credit, liquidity, cash flow, exchange rate and interest rate risks. The Group has adopted risk management policies that seek to mitigate these risks in a cost effective manner.

The Directors understand that in order to generate a return it is necessary to face a level of risk. The key is to ensure these risks remain within acceptable levels agreed by the Board. The Directors believe that the structure allows the Group not just to identify, measure and manage risk, but also to respond quickly where opportunities are identified, giving a competitive advantage. The Group has a well balanced portfolio across the property, automotive and finance sectors. This diversification mitigates exposure to sector specific risks and the Group seeks to take advantage of shared treasury resources accordingly.

The Directors consider the principal risks and uncertainties to the Group to be as follows:

Exposure to foreign currency

Both the Group's property and automotive divisions are exposed to the risk of fluctuating exchange rates.

Overseas property net asset values can be directly affected by currency variations. Property assets are funded locally where possible in matching currency. The Group utilises flexibility within its term loan facilities to re-designate debt between Sterling, Euro and USD in order to achieve the hedging levels targeted by the Board. Levels of unhedged currency exposure are monitored on an ongoing basis.

The Group's financial performance is exposed to the risk of adverse movements in the value of sterling against the Japanese Yen and the Euro increasing the purchase price of vehicles. In a competitive market place the Group is not always able to recover these additional costs by increasing its selling price. The Group's automotive division manages these risks by entering a forward contract for the relevant currency at the time an order is placed.

Market risk

The Group is exposed to market risk as a result of its operations, particularly relating to the demand for its products and services. However, the Directors consider that they are close enough to the market to be able to react quickly to changes and hence the impact on the Group's performance.

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Review of the business (continued)

Monitoring and managing risk (continued)

Covenant breach

Financial covenants are monitored by management on an ongoing basis and reported to the banks in accordance with agreed terms. Where appropriate, modelling is undertaken to determine the impact on covenants as part of the Group's decision-making process.

Political and economic risk

The Group holds a diversified property portfolio across the United Kingdom, Germany, Ireland, Sweden, China and the United States of America. Significant cash reserves are maintained within the Group. The Group treasury function is managed on a centralised basis.

2019 has seen a great deal of uncertainty in the economy following the EU referendum vote resulting in Britain's decision to leave the European Union. This has led to uncertainty in the foreign exchange markets that has been a risk factor for the Group during the year. 2019 saw further uncertainty surrounding the ongoing political climate. I.M. Group Limited has a strong net asset position, including a high level of cash reserves which, along with vigilant management will place the Group in the best position to continue its long history of trading profitably in ever changing circumstances.

Credit risk

Credit risk is the risk of loss in value of financial assets due to counterparties failing to meet all or part of their obligations. The Group performs ongoing credit evaluation of its customers' financial condition and has implemented policies that require appropriate credit checks on potential customers before sales are made, monitoring of accounts and prompt collection of outstanding balances.

The Group has no significant concentration of credit risk with exposure spread over a large number of tenants and customers. The finance division assess all customers via a wide range of underwriting scoring systems and reduces risk by taking appropriate security for funds advanced.

Regulatory risk

Regulatory risk within the finance division is carefully managed through a specialist compliance function to ensure the Group is compliant with Financial Conduct Authority principles.

Liquidity and fund pricing risk

Liquidity risk is the risk that the Group does not have sufficient liquid assets to meet its obligations as they fall due. Pricing risk relates to the unavailability of external funding at acceptable pricing. The impact of unavailable funding would be a negative impact on the Group's liquidity and ability to grow the business effectively.

The Group's cash resources are managed centrally to ensure that Group companies have sufficient liquid assets to meet their obligations.

Liquidity is maintained at a prudent level through management of Group resources and the Group ensures there is an adequate liquidity buffer to cover contingencies. Significant cash reserves are held by the Group to support future ventures.

The Group maintains sufficient cash and open committed credit lines from its bankers and Group funding opportunities in order to meet its funding requirements. Group management monitors cash flow as part of its day to day control procedures. The Group has strong relationships with a range of banks, which reduces credit and liquidity risks.

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Review of the business (continued)

Monitoring and managing risk (continued)

A major health and safety incident

In particular in relation to the COVID-19 pandemic, the risk of a serious injury or death to an employee, member of the public or any other person poses a serious risk to the reputation and profitability of the Group.

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. The Group has 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 of the Board.

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors consider that the decisions they have made during the financial year and the way they have acted have promoted the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act). The Board meets on a regular basis and the agenda typically includes reports on current trading and financial performance from the Brand Directors, legal and governance updates, a review of the strategic plan and more detailed discussions of areas of particular importance. The Board considers the Company's key stakeholders to include employees, dealers, customers, suppliers and the local community as well as its controlling shareholder and bankers.

Long-term decisions

The Board discusses proposals for new business opportunities, capital expenditure and efficiency initiatives. Whilst financial benefit and shareholder return is one of the key decision criteria, the long-term effect on the Group's going concern, the environment, job security for our employees, value and service for our customers and fair trading terms with our suppliers are also considered.

The Board recognises its responsibility to act responsibly between all its stakeholders. The key goals of the automotive division are to enhance employee satisfaction, dealer satisfaction, customer satisfaction, growth and profitability. The management team fully appreciate that motivated and empowered employees will in turn create motivated effective dealers improving customer satisfaction and therefore the long-term sustainability of the business.

Stakeholder engagement

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 2019, the directors have complied with Section 172(1) of the Companies Act 2006.

	<i>Primary issue</i>	<i>Why engage</i>	<i>How we engage</i>	<i>Influence on decision making</i>
<i>Employees</i>	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.

**I.M. GROUP LIMITED
STRATEGIC REPORT
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Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

Stakeholder engagement (continued)

	<i>Primary issue</i>	<i>Why engage</i>	<i>How we engage</i>	<i>Influence on decision making</i>
Occupiers / Customers / Dealers	<p>There continues to be considerable change in where and how people live, work and shop and buy vehicles.</p> <p>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.</p>	<p>We need to understand the people and businesses that use our space in order to meet their increasing expectations.</p> <p>Across the Group we aim to build strong relationships with our occupiers and customers.</p>	<p>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.</p>	<p>The Board are influenced through direct contact with customers as well as the feedback from surveys and specific information fed back through our teams.</p>
Partners	<p>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 standards.</p>	<p>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.</p>	<p>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.</p>	<p>The board includes directors directly responsible for relationships with our partners in their primary areas. This informs our decision making as a board. For example, the corporate restructuring of the Group provided a long-term benefit to the Group in part through the simplification of reporting that helps our partners understand our business performance more easily.</p>

**I.M. GROUP LIMITED
STRATEGIC REPORT
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Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

Stakeholder engagement (continued)

	<i>Primary issue</i>	<i>Why engage</i>	<i>How we engage</i>	<i>Influence on decision making</i>
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.	<p>Since it began trading the I.M. Group has donated in excess of £350m to Christian Vision, a charity founded by Lord Edmiston that seeks to address the social challenges that concern all of us.</p> <p>During 2019 the Group 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.</p>
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.

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Stakeholder values

Our engagement with stakeholders continues to evolve and improve and the Board recognises that fostering these relationships along with maintaining the Group's reputation for high standards of business conduct is essential for the Group's long-term success. We have dedicated divisional Managing Directors and teams in each country the Group operates in. The I.M. Board of Directors has recently set its key values underpinning the Group's strategy and has ensured that all its employees fully understand and work with the values at all times. These values are:

RESPECT - We are consistent in our approach to business and relationships. We treat each other with respect at all times. We promote openness, listen, demonstrate understanding and are respectful of one another's circumstances.

COMMITMENT - Actions speak louder than words. We can be trusted to do what we say we will do and are accountable for our performance. We are committed to our brand and protect and uphold the reputation of our businesses which have been built through decades of dedication to delivery.

TOGETHERNESS - Together we are a team, built around trust and humility. We share in our success and the burden of the challenges we face. Together we engender a sense of security and belonging.

INTEGRITY - Our business is built upon integrity. Those who connect with us- colleagues, partners, suppliers and customers can trust that we will strive to do what is right and do what we say we will do.

There has been continuing development to improve the Group's procurement procedures. The Group is clear on its policy of only trading with partners that share common values. The Group has ensured all employees are aware of antislavery legislation and their personal duty of care.

Trading updates

The Board considered trading performance from across the Group's operations, discussed operational issues such as implementation of new technology, property portfolios, vehicle stock availability, manufacturer relationships, sales volumes, market share, new projects and margins. The Board continues to assess the current situation regarding the COVID-19 pandemic and the impact on the Group and its stakeholders. The Board remains closely aligned throughout the lockdown to ensure both regulatory compliance and both short and medium term business planning to achieve the least possible negative impact to both the health & safety of staff and dealers as well as securing the financial position of the Group as far as possible.

Strategic Goals

At quarterly board meetings, the Board discusses its strategic plan, including growth aspirations and new business opportunities.

In order to formulate the plan, the Board considers management's assessment of recent trading performance, market trends (and in particular product developments with regards to environmental sustainability), the competitive position of our automotive brands and new opportunities. Based on the above, the Board is able to direct its short-term goals against long term vision and values. The Group's plan encompasses identification of the desired growth opportunities, development of the strategy to create relationships and capacity for this growth including the necessary enhancement of the Group's IT infrastructure and organisational capability.

**I.M. GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

Financial updates

The Board discussed performance against budget with particular focus on underperforming parts of the business, reviewed the monthly rolling forecast, discussed funding requirements, reviewed liquidity position and considered payment of shareholder dividends. Discussed preparations, scenario planning and impact assessments for Brexit.

Sustainability

The Board is acutely aware of its responsibility to safeguard the environment. The Board is fully aware of the evolving European legislation on vehicle emission targets and its impact of the environment. Management continue to work with government agencies, automotive industry partners and manufacturers to ensure its products are as environmentally efficient as possible, whilst been competitively priced and fit for purpose. The Board continues to look for other business opportunities in the automotive sector, in particular the import and distribution of electric and hybrid vehicles.

The Board understands the enhanced environmental reporting requirements forthcoming and will move to address them transparently.

By order of the board



**G E Hutton
Director**

Date: 30 June 2020

**I.M. GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report for the year ended 31 December 2019.

Dividends

An interim ordinary dividend of £Nil (2018 - £60,000,000) was paid during the year. The Directors do not recommend the payment of a final dividend.

Financial instruments

Information regarding financial instruments is set out within the Strategic Report and in note 25.

Directors

The directors during the year were as follows:

Lord Edmiston
Mr A M Edmiston
Mr G E Hutton

Disabled employees

The Group supports the employment of disabled people whenever possible giving full and fair consideration to applications for employment made by disabled persons and having regard for their particular aptitudes and abilities.

Where existing employees become disabled during their employment, where practicable, the Group will provide continued employment and provide training, career development and promotion.

Employee involvement

During the year, the policy of providing employees with information about the Group has continued through the Group publication, in which employees have also been encouraged to present their suggestions and views on the Group's activities. Internal e-mail communication is used to provide employees systematically with information on matters of concern to them as employees.

Staff discussion meetings are held on a regular basis, whereby employees achieve a common awareness of the financial and economic factors affecting the performance of the Group.

Future developments

Information regarding future developments is set out within the Strategic Report.

Charitable donations

Donations to charitable organisations during the year totalled £8,886,000 (2018 - £13,294,000).

Political donations

The Group and Company made political donations of £430,000 (2018 – £28,000). This includes £425,000 (2018 - £15,000) paid to the Conservative party.

**I.M. GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Post balance sheet events

In December 2019 cases of a novel corona virus ("COVID-19") were reported to the World Health Organization ("WHO") and subsequently spread worldwide. The WHO announced COVID-19 as a global health emergency on January 30, 2020, which prompted national governments to begin putting actions in place to slow the spread of COVID-19 worldwide. On March 11, 2020, the WHO declared COVID-19 a global pandemic and recommended containment and mitigation measures. Given that the declaration of a global health emergency did not happen until January 2020 the impacts of COVID-19 are considered by the directors (as supported by relevant accounting authorities) as being non-adjusting events for the Company.

Further details of the impact of COVID-19 on the Group is set out in the Strategic Report.

Property division

In January 2020 the Group completed on the purchase of an industrial development for a consideration of £16,479,000. The Group increased an existing credit facility by £9,000,000 to finance this acquisition.

In February 2020, the Group completed on the sale of 2 investment properties, consideration in respect of these properties was £2,100,000 and £2,653,400. Bank funding of £2,823,000 was repaid as a result of this sale.

A further block of investment properties were sold during February 2020 for consideration of £11,175,000. Bank funding of £6,114,000 was repaid as a result of this sale.

In February 2020 the Group entered into a new credit facility of £21,300,000 and in March 2020 a further credit facility of £6,000,000 was entered into. Both facilities were secured with existing and previously unencumbered investment properties owned by the Group.

During March 2020 the Group also refinanced the Mell Square property with a new £28m 3 year facility, replacing the existing short term facility. This was considered a prudent measure in light of the potential impact of the COVID-19 related government actions on the retail sector.

Additional credit facilities of £2,975,000 and £15,782,000 were entered into in relation to the by US subsidiaries in relation to development projects in the Chicago area.

There have been no other significant events affecting the Company since the year end.

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.

Statement of engagement with suppliers, customers and others in a business relationship with the company

The directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Group during the financial year. These considerations are included in the Statement by the directors in performance of their statutory duties in accordance with s172 within the Strategic Report.

**I.M. GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Directors' responsibilities

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 Company and of the profit or loss of the Group and Company 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;
- 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.

Auditor

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting, in accordance with section 485 of the Companies Act 2006.

By order of the board



**G E Hutton
Director**

Date: 30 June 2020

**I.M. GROUP LIMITED
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Independent Auditor's Report to Members of I.M. Group Limited

Opinion

We have audited the financial statements of I.M. Group Ltd ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet and the Company Statement of Changes in Equity, and the 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)

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 2019 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.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**I.M. GROUP LIMITED
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and consolidated 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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.

**I.M. GROUP LIMITED
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.

BDO LLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 30 June 2020

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

I.M. GROUP LIMITED
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 Total £'000	2018 Total £'000
Turnover	3	595,615	675,177
Cost of sales		(440,296)	(503,479)
Gross profit		155,319	171,698
Distribution costs		(30,105)	(32,455)
Administrative expenses		(41,858)	(47,622)
Gain from changes in fair value of investment properties		2,943	7,739
Charitable donations	11	(8,886)	(13,294)
Other operating (expenses) /income	4	(5,438)	7,929
Operating profit	5	71,975	93,995
Share of results of associates	19	1,991	2,063
Interest receivable and similar income	9	3,825	5,296
Interest payable and similar charges	10	(38,042)	(24,007)
Profit before taxation		39,749	77,347
Taxation	12	(4,664)	(18,544)
Profit for the financial year		35,085	58,803
Actuarial (losses) / gain on defined benefit plans	29	(2,692)	2,829
Currency translation differences		(5,598)	(2,731)
Taxation relating to other comprehensive income	12	458	(481)
Other comprehensive income for the year		(7,832)	(383)
Total comprehensive income for the year		27,253	58,420

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 Total £'000	2018 Total £'000
Profit for the financial year attributable to:			
Owners of the parent		35,096	58,830
Non-controlling interests		(11)	(27)
Profit for the financial year		35,085	58,803
Total comprehensive income for the year attributable to:			
Owners of the parent		27,264	58,441
Non-controlling interest		(11)	(21)
Total comprehensive income for the year		27,253	58,420

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

Company Registration No. 03456018

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	14		1,331		2,421
Tangible fixed assets	15		62,095		29,854
Investment properties	16		795,900		833,332
Fixed asset investments	17		11,931		10,678
			<u>871,257</u>		<u>876,285</u>
Non-current assets					
Consumer loan assets	21		109,341		83,350
Current assets					
Stocks	20	345,405		278,647	
Consumer loan assets	21	32,042		24,165	
Debtors	22	134,987		105,489	
Cash at bank and in hand		120,883		196,219	
		<u>633,317</u>		<u>604,520</u>	
Current liabilities					
Creditors: amounts falling due within one year	23	(479,531)		(468,894)	
Net current assets			<u>153,786</u>		<u>135,626</u>
Total assets less current liabilities			<u>1,134,384</u>		<u>1,095,261</u>
Creditors: Amounts falling due after more than one year	24		(458,641)		(380,517)
Provisions for liabilities	27		(15,652)		(18,780)
Net assets excluding pension liability			<u>660,091</u>		<u>695,964</u>
Pension liability	29		(5,344)		(3,499)
Net assets including pension liability			<u><u>654,747</u></u>		<u><u>692,465</u></u>

The notes on pages 30 to 76 form part of these financial statements

**I.M. GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019**

Company Registration No. 03456018

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Capital and reserves					
Called up share capital	30		69		69
Other reserves	31		19,978		19,978
Merger relief	31		-		60,001
Profit and loss reserves	31		633,965		611,671
Capital and reserves attributable to owners of the parent Company			654,012		691,719
Capital and reserves attributable to non-controlling interests			735		746
Total equity			654,747		692,465

The financial statements on pages 21 to 76 were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:



**G E Hutton
Director**

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £'000	Other reserves £'000	Profit and loss reserve £'000	Merger Relief £'000	Controlling interests £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2018		69	19,978	613,272	1	633,320	725	634,045
Profit for the year		-	-	58,830	-	58,830	(27)	58,803
Other comprehensive income:								
Actuarial gains on defined benefit plans	29	-	-	2,829	-	2,829	-	2,829
Currency translation differences on overseas subsidiaries		-	-	(2,779)	-	(2,779)	48	(2,731)
Tax relating to other comprehensive income		-	-	(481)	-	(481)	-	(481)
Total comprehensive income for the year		69	19,978	58,399	1	58,399	21	58,420
Transactions with owners in their capacity as owners:-								
Dividends paid	13	-	-	(60,000)	-	(60,000)	-	(60,000)
Merger relief		-	-	-	60,000	60,000	-	60,000
Total transactions with owners in their capacity as owners		-	-	(60,000)	60,000	-	-	-
Balance at 31 December 2018		69	19,978	611,671	60,001	691,719	746	692,465

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £'000	Other reserves £'000	Profit and loss reserve £'000	Merger Reserve £'000	Controlling interests £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2019		69	19,978	611,671	60,001	691,719	746	692,465
Profit for the year		-	-	35,096	-	35,096	(11)	35,085
Other comprehensive income:								
Actuarial gains on defined benefit plans	29	-	-	(2,692)	-	(2,692)	-	(2,692)
Currency translation differences on overseas subsidiaries		-	-	(5,598)	-	(5,598)	-	(5,598)
Tax relating to other comprehensive income		-	-	458	-	458	-	458
Total comprehensive income for the year		-	-	27,264	-	27,264	(11)	27,253
Transactions with owners in their capacity as owners:-								
Purchase of minority interest		-	-	(4,970)	-	(4,970)	-	(4,970)
Merger relief		-	-	-	(60,001)	(60,001)	-	(60,001)
Total transactions with owners in their capacity as owners		-	-	(4,970)	(60,001)	(64,971)	-	(64,971)
Balance at 31 December 2019		69	19,978	633,965	-	654,012	735	654,747

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash (used in) / generated from operations	37	(27,705)	68,640
Corporation tax paid		(12,212)	(13,024)
Net cash from operating activities		(39,917)	55,616
Investing activities			
Purchase of tangible fixed assets	15	(44,520)	(11,085)
Purchase of investment property	16	(116,188)	(261,212)
Proceeds on disposal of tangible fixed assets		148,422	222,649
Repayment of loans granted to associate	17,19	233	2,546
Purchase of fixed asset investment	17	(35)	(35)
Purchase of minority interest		(4,970)	-
Interest received		864	2,535
New cash outflow from investing activities		(16,194)	(44,602)
Financing activities			
Proceeds from borrowings		205,804	491,211
Repayment of borrowings		(185,798)	(437,592)
Settlement of derivative financial instruments		(5,163)	(3,099)
Interest paid		(33,140)	(21,770)
Merger contribution		-	60,000
Dividend paid	13	-	(60,000)
Net cash (outflow) from financing activities		(18,297)	28,750
Net (decrease) / increase in cash and cash equivalents		(74,408)	39,764
Cash and cash equivalents at beginning of year		196,219	155,866
Foreign exchange (losses) / gains on cash and cash equivalents		(928)	589
Cash and cash equivalents at end of year		120,883	196,219

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible fixed assets	15		13,779		8,657
Fixed asset investments	17		42,566		44,311
			<u>56,345</u>		<u>52,968</u>
Current assets					
Debtors	22	99,410		182,483	
Cash at bank and in hand		657		-	
		<u>100,067</u>		<u>182,483</u>	
Current liabilities					
Creditors: Amounts falling due within one year	23	(127,186)		(216,837)	
Net current liabilities			<u>(27,119)</u>		<u>(34,354)</u>
Net assets			<u>29,226</u>		<u>18,614</u>
Capital and reserves					
Called up share capital	30		69		69
Other reserves	31		250		250
Profit and loss reserves	31		28,907		18,295
Total equity			<u>29,226</u>		<u>18,614</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes profit after tax of £10.61m (2018 – £62.56m) which is dealt with in the financial statements of the parent Company.

The financial statements on pages 21 to 76 were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:



G E Hutton
Director

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2018	69	250	15,732	16,051
Profit for the year	-	-	62,563	62,563
Total comprehensive income for the year	-	-	62,563	62,563
Transactions with owners in their capacity as owners:-				
Dividends paid (note 13)	-	-	(60,000)	(60,000)
Total transactions with owners in their capacity as owners:-	-	-	(60,000)	(60,000)
Balance at 31 December 2018	69	250	18,295	18,614
Balance at 1 January 2019	69	250	18,295	18,614
Profit for the year	-	-	10,612	10,612
Total comprehensive income for the year	-	-	10,612	10,612
Transactions with owners in their capacity as owners:-				
Dividends paid (note 13)	-	-	-	-
Total transactions with owners in their capacity as owners:-	-	-	-	-
Balance at 31 December 2019	69	250	28,907	29,226

The notes on pages 30 to 76 form part of these financial statements

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

I.M. Group Limited ("the Company") is a limited Company domiciled and incorporated in England and Wales. The registered office is The Gate, International Drive, Solihull, Birmingham, B90 4WA.

The Group consists of I.M. Group Limited and all of its subsidiaries. The Group's operations and principal activities are set out in the Strategic Report on page 2.

Basis of accounting

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 presentational currency of the Group. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Reduced disclosures

The Company has taken advantage of the exemptions from the following disclosure requirements, under FRS102's reduced disclosure framework;

- **Section 4 'Statement of Financial Position'** – Reconciliation of the opening and closing number of shares.
- **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.
- **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. Group Limited. The consolidated financial statements of I.M. Group Limited are these financial statements.

Basis of consolidation

The consolidated financial statements incorporate those of I.M. Group Limited and all of 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 2019.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting Policies (continued)

Basis of consolidation (continued)

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Going Concern

The Group generated pre-tax profit of £39.8m in the year to 31 December 2019 (2018 - £77.4 m) and had net assets of £654.7m at 31 December 2019 (2018: £692.5m). Included within net current assets is a positive 'Cash at Bank and in Hand' position of £120.9m (2018 - £196.2m). The directors of I.M. Group Limited and its subsidiaries ('the Group') have prepared a detailed cash flow forecast ("the forecast") for the Group for the period to 31 July 2021 ("the period") which shows the Group trading cash flows and expected available bank facilities for the period.

The executive directors of I.M. Group Limited and were fully involved in the preparation and detail of the Group forecast. The funding facilities available to the Group are generally term loans or overdrafts and are primarily in place for at least the period. The bank funding facilities are subject to covenants. The I.M. Group funding facilities also include short term funding of £195m provided by the ultimate controlling party and the pension scheme of the ultimate controlling party.

The forecast shows that the Group will be able to operate and meet its external liabilities as they fall due for payment during the period within available borrowings and other funding. The forecast also shows that the Group will continue to meet its covenant requirements during the period. The forecast includes the assumption that short term funding provided by the ultimate controlling party and the pension scheme of the ultimate controlling party will remain fully available to the Group during the period. The ultimate controlling party has provided a formal agreement that no repayment of short-term funding amounting to £195m will be requested during the period. The rules of the pension scheme of the ultimate controlling party mean that they have not been able to provide formal agreement that no repayment can be requested in the period.

In the preparation of the forecast and these financial statements the Directors have considered the impact of COVID-19 and consider that the risk and impact on the Group is difficult to assess at this stage of the pandemic even though lock-downs have eased throughout Europe and other key market countries. It is noted that (1) the timing of the return to more normal trading and revenue generation is not clear at this stage; (2) there remains the risk of a return to lock-down (nationally or regionally) that could further impact revenues and (3) there is a difficulty in forecasting during a period of such significant change with key impacts not yet fully known.

In preparing the forecast, the key assumptions for the Automotive Division include a prudent period of six months shut down of the UK dealers for vehicle sales followed by a gradual return to pre COVID-19 sales rates, reductions in areas of discretionary spend, as well as the furlough of a large number of operational UK staff. The base case assessment shown by the forecast is that the key risk to the Group is expected to be relatively short term as a result of a reduction in revenue in key markets. The actual Group results for April (the first full month of lock-down) showed a significant reduction in sales volume and revenue and further reductions for May, June and subsequent months (varying percentages) are also included in the forecast. In broad terms the forecast assumes significantly reduced revenues for the period but with the reductions decreasing over time.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting Policies (continued)

Going concern (continued)

In preparing the forecasts for the Property Division the Directors have taken prudent assumptions to reflect the impact of COVID-19 on the forecast level of house sales and rental income, the impact on forecast commercial lettings, property sales, property values and cost overruns and project delays caused by potential supply chain disruption.

The Group's cash flow forecasts and projections, taking account of what in the opinion of the Directors represents a reasonable worse case scenario in trading performance including the potential impact of COVID-19, offset by mitigating actions within the control of management including reductions in areas of discretionary spend, show that the group will be able to operate with sufficient financial headroom for the period to the end of July 2021, and within its bank and associated covenants.

It is difficult to predict the full overall outcome and impact of COVID-19 at this stage and the duration of the disruption of post lock down activity together with the longer term effect on the global economy could be longer than anticipated. The Directors consider that the forecasts prepared for the going concern assessment reflect a reasonable worst case trading position for the Group and that this still shows significant headroom available for all months during the period. After careful consideration the Directors consider that the Group forecast is achievable, that sufficient facilities will continue in place throughout the period in order for the Group to operate and meet its liabilities as they fall due for payment. Therefore the Directors consider that it is appropriate to prepare the financial statements on a going concern basis. The directors have also considered the implications of a no-deal as the UK completes its exit from the European Union but this is not expected to have a significant impact.

Turnover

(i) Automotive division

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods to external customers and motor dealers in the ordinary nature of the business. Turnover represents sales of vehicles, parts and accessories. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover is recognised when the significant risks and rewards of ownership have passed to the customer and turnover can be reliably measured. Risks and rewards are considered to have passed to the customer when the vehicles are invoiced and physically dispatched or registered. Turnover is shown net of Value Added Tax.

(ii) Property division

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. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting Policies (continued)

(iii) Finance division

Interest income is recognised in Turnover in the Statement of Comprehensive Income for all consumer loan assets measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts estimated future cash flows of each consumer loan asset back to the present value of the advance plus introducer's commission. Agreement set-up fees and option fees are included in the calculation of the EIR. Interest income continues to accrue on all impaired consumer loan assets throughout the life of the consumer loan.

Fees charged to borrowers on the early settlement of consumer loans are credited to the Statement of Comprehensive Income as charged whereas fees charged to borrowers for being in default are credited to the Statement of Comprehensive Income when paid.

Interest

All other interest receivable and payable is recognised in the Statement of Comprehensive Income on an accruals basis.

Interest expense on debt which funds consumer loan assets is charged to the Statement of Comprehensive Income using the EIR of the debt instrument.

Intangible fixed assets - goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the administrative expenses over the directors' estimate of its useful economic life of 5 to 20 years.

Tangible fixed assets

Tangible fixed assets other than investment properties are measured at historic cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, and long leasehold assets, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Freehold buildings	4% per annum
Leasehold buildings	Over the term of the lease
Plant and equipment	At appropriate rates between 5% and 40% per annum
Aircraft	Straight line over 15 years

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.

Land and buildings are accounted for separately even when acquired together.

Where the aircraft is subject to major inspection, an element of the original asset cost is allocated to an inspection or overhaul component. The cost allocated to the overhaul is depreciated to the expected date of the next overhaul, enabling the cost of the next overhaul to be capitalised. The aircraft is included within Plant and Equipment in Note 15.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting Policies (continued)

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, associates and jointly controlled entities 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. Loans made to associated undertakings are included in note 17.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the Group has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities. The consolidated profit and loss account includes the appropriate share of these companies' results. The Group's share of post-acquisition retained profits and reserves are added to the cost of the investment in the consolidated balance sheet.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The consolidated profit and loss account includes the appropriate share of these companies' results.

The Group's share of post-acquisition retained profits and reserves are added to the cost of the investment in the consolidated balance sheet.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting Policies (continued)

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Impairment losses on consumer loan assets

The directors assess on an on-going basis whether there is objective evidence that a consumer loan asset is impaired and requires a deduction in its carrying value for that impairment. A consumer loan asset is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower is experiencing financial difficulty or has missed payments or where the consumer loan has been defaulted or where the underlying security has been destroyed.

Impairment is then calculated by estimating cash flows for such impaired loans and discounting such cash flows to a present value using the EIR and comparing this figure with the carrying value. All such impairments are charged to cost of sales in the Statement of Comprehensive Income. In the case of secured personal loans the present value using the EIR is assumed to be the interest that the Group has, as security, in the latest market value of the underlying residential property less costs to sell that property on the basis that the Group can force a sale of that property where a loan has defaulted. Otherwise the assumptions for estimating future cash flows are based upon observed historical data.

Consumer loan assets

Consumer loan assets are initially recorded at the amount advanced to consumers plus introducers' commissions. Subsequently, consumer loan assets are increased by interest and reduced by cash collections and any allowance for impairment.

Stocks

Stock includes:

- Vehicle parts and other goods valued at the lower of cost and net realisable value
- 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. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Vehicle stocks are initially valued at the spot rate of exchange and lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in the Statement of Comprehensive income.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting Policies (continued)

Stocks (continued)

Reversals of impairment losses are also recognised in the Statement of Comprehensive Income.

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 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 for 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.

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

The Group, and the Company, has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Non-derivative financial assets

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

Trade debtors, other debtors and amounts due from Group undertakings - 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 the Statement of Comprehensive Income when there is objective evidence that the 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.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Group's non-derivative financial liabilities comprise bank and other borrowings, trade creditors, other creditors and amounts due to Group undertakings. Non-derivative financial liabilities are recognised on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments

The Group's derivative financial instruments comprise of interest rate swaps and foreign currency forward contracts.

Interest rate swaps are initially accounted for and measured at fair value on the date the swap is entered into and subsequently measured at fair value. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. 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.

(iii) Derivative financial instruments (continued)

Foreign currency forward contracts are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting end date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship.

Hedge accounting – net investment in foreign operations

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income within other operating income or administration expenses as appropriate.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

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.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

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 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 profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that 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, associates, branches and interests in jointly controlled entities, 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.

Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Vehicle warranty

The warranty provisions are in respect of future payments for vehicle repairs under product warranty. The Group recognises a provision for warranty obligations where the extent of cover exceeds that offered by the manufacturer. The provision is measured at the expected cost of repair, based on historical warranty claim data. Any subsequent revisions to the warranty are recognised in the Statement of Comprehensive Income.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

Provisions (continued)

Conduct remediation provision

Conduct remediation provisions comprise the estimated cost of making redress payments to consumers associated with inappropriate judgement in the execution of the Company's prior business activities. This relates to proactive PPI redress, customer initiated PPI complaints, and handling of some prior, closed PPI complaints.

The provision is calculated using a number of key assumptions which involve significant management judgement such as (i) the response rates to proactive PPI mailings and the prior rejected PPI complaints mailings; (ii) the percentage of such responses that are upheld as being valid upon review; and (iii) the percentage of customer initiated complaints, by consumer loan product, that are upheld by The Financial Ombudsman Service.

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.

Retirement benefits

For defined contribution schemes the amount charged to the Statement of Comprehensive Income are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method and is based on actuarial advice. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

The other finance interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The other finance interest is recognised in the Statement of Comprehensive Income as other finance revenue or cost.

Re-measurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

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 when that fair value was determined. All translation differences are taken to the Statement of Comprehensive Income, 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 (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Critical accounting estimates and judgements

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 Group makes estimates and assumptions concerning the future. 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.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Valuation of investment properties

Valuations performed by the suitably qualified individuals and approved by the directors, have been used to determine the fair value of investment properties. The valuation is 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 investment property is disclosed in note 16.

Net realisable value of stocks

Stock is stated at the lower of cost or net realisable value, and the Group use judgment and estimate to determine the net realisable value of stock at the end of each reporting period.

Due to vehicle aging, the Group estimates the open market value of stock lines at the end of its reporting period and then writes down the cost of stocks to net realisable value. The net realisable value of the stock is mainly determined based on assumptions of future demand within a specific time horizon.

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 2019. 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.

Product warranty provisions

The warranty provisions are in respect of future payments for vehicle repairs under product warranty. The Group recognises a provision for warranty obligations where the extent of cover exceeds that offered by the manufacturer. The provision is measured at the expected cost of repair, based on historical warranty claims data. Any subsequent revisions to the warranty are recognised in the Statement of Comprehensive Income.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 Critical accounting estimates and judgements (continued)

Conduct remediation provisions

The provision is calculated using a number of key assumptions which involve significant management judgement such as (i) the response rates to proactive PPI mailings and those of prior rejected PPI complaints; (ii) the percentage of such responses that are upheld as being valid upon review; (iii) in cases where the Group has sold the PPI but has not provided the finance, the expected average payment for upheld claims; and (iv) the percentage of customer-initiated complaints, by consumer loan product, that are upheld by The Financial Ombudsman Service.

Impairment of consumer loan assets

Management perform analysis of historical consumer loan asset data and segregate groups of the consumer loan asset base that share similar characteristics. Impaired loans within these segregated groups are analysed on an annual basis to determine how each group behaves. This behavioural analysis is used to calculate a provisioning rate for consumer loan assets that are classed as impaired. The Directors estimate that these provisioning rates will be accurate for at least one year and are reviewed, and where necessary, updated annually.

Fair value of forward contracts

At each reporting date, the fair values of forward contracts are assessed against the carrying value of the financial asset or financial liability. The directors' estimate the fair value of forward contracts by reference to market value to settle the contract which is provided by the Company's bank. The fair value movement is recognised immediately in the Statement of Comprehensive Income.

Pension scheme valuation

The valuation of the net defined benefit pension scheme liability is determined on an actuarial basis using the projected unit method discounted at a rate using the current rate of return on high quality corporate bonds of equivalent term and currency to the liability. Assumptions are made about the mortality of the beneficiaries of the pension scheme, and future rates of inflation. The assumptions underlying this calculation are discussed in more detail in note 29. Significant changes to the assumptions underlying these calculations over the next financial year could result in significant changes to the carrying value of the pension scheme liability.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover

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

	2019 £'000	2018 £'000
Class of business		
Automotive	379,922	414,019
Property	188,423	240,465
Finance	27,270	20,693
	<u>595,615</u>	<u>675,177</u>
	2019 £'000	2018 £'000
Geographical regions		
United Kingdom	373,367	431,172
Europe	202,443	230,007
Rest of the world	19,805	13,998
	<u>595,615</u>	<u>675,177</u>

4 Other operating (expenses) / income

	2019 £'000	2018 £'000
(Loss) / profit on sale of investment properties	(6,299)	6,623
Management charges and other income	861	1,306
	<u>(5,438)</u>	<u>7,929</u>

5 Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging/(crediting):		
Fair value gains on investment properties and properties under construction	(2,943)	(7,739)
Exchange losses / (gains)	2,805	(1,741)
Depreciation of tangible fixed assets	3,050	2,446
Profit on disposal of tangible fixed assets	(4,721)	(885)
Amortisation of goodwill	1,090	1,089
Operating lease charges	2,385	2,394
Conduct remediation (gains) / costs	(242)	743
Charitable donations	8,886	13,294
Management charges and other income	(861)	(1,306)

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

6	Auditor's remuneration	2019 £'000	2018 £'000		
	Fees payable to the Company's auditor				
	For audit services:				
	Audit of the Subsidiary's financial statements	592	580		
	Audit of the Group's and Company's financial statements	47	45		
	For other services:				
	Taxation and other services	152	63		
		791	688		
7	Employees				
	The average number of persons (including directors) employed during the year was:				
		Group 2019 No	Group 2018 No	Company 2019 No	Company 2018 No
	Administrative	436	417	23	5
	Selling and distribution	110	113	-	-
		546	530	23	5
	Their aggregate remuneration comprised:				
		Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
	Wages and salaries	24,351	26,324	1,236	551
	Social security costs	2,935	3,492	152	74
	Pension costs	1,876	1,826	69	15
		29,162	31,642	1,457	640
8	Directors' remuneration	2019 £'000	2018 £'000		
	Emoluments (including benefits in kind)	408	342		

There were no directors for whom retirement benefits are accruing under defined benefit schemes (2018 - Nil).

Remuneration disclosed above includes £346,000 (2018 – £278,000) paid to the highest paid director. There were no Company pension contributions paid by the Group in respect of the highest paid director.

The Group's key management personnel is considered to be the Directors of the Company. The Directors have authority and responsibility for planning, directing and controlling the activities of the Group. The total amount paid in respect of key management personnel was £459,000 (2018 - £383,000).

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

9	Interest receivable and similar income	2019 £'000	2018 £'000
	Deposit and short-term interest	869	736
	Fair value movements on financial instruments	2,951	4,534
	Interest from related undertakings	5	26
		<u>3,825</u>	<u>5,296</u>
10	Interest payable and similar charges	2019 £'000	2018 £'000
	Interest on bank loans and overdrafts	21,294	16,366
	Other interest and similar charges	4,980	5,351
	Fair value movements on derivative instruments	11,768	2,290
		<u>38,042</u>	<u>24,007</u>
11	Charitable donations	2019 £'000	2018 £'000
	Christian Vision	8,000	12,750
	Other	886	544
		<u>8,886</u>	<u>13,294</u>
12	Taxation on profit on ordinary activities	2019 £'000	2018 £'000
	Current tax		
	UK corporation tax on profits for the current period	5,564	11,454
	Adjustments in respect of prior periods	(4,342)	1,301
	Foreign current tax on profits for the current period	4,114	5,561
	Total current tax	<u>5,336</u>	<u>18,316</u>
	Deferred tax		
	Origination and reversal of timing differences	1,349	(292)
	Adjustments in respect of prior years	(2,021)	520
	Total deferred tax	<u>(672)</u>	<u>228</u>
	Taxation on profit on ordinary activities	<u>4,664</u>	<u>18,544</u>

A donation of £8,000,000 (2018 – £12,750,000) was made during the year to Christian Vision. Christian Vision is a registered charity formed by Lord Edmiston, his family and close associates, of which they are trustees.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

12 Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 – higher than) the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019	2018
	£'000	£'000
Profit before taxation	39,749	77,347
Less share of profit of associates	(1,991)	(2,063)
	37,758	75,284
Expected tax charge based on a corporation tax rate of 19% (2018 – 19%)	7,174	14,304
Effects of:		
Expenditure not deductible for tax purposes	2,569	3,694
Income not eligible for tax purposes	(312)	(2,412)
Profits on disposal of properties in excess of capital profits	696	(2,894)
Share of profit of associates	378	392
Overseas taxation	(1,664)	(368)
Adjustments in respect of prior years	(4,342)	1,301
Adjustments in respect of prior years – deferred tax	(2,021)	520
Differences in tax rates	752	2,403
Movement in indexation allowance	52	(1,217)
Deferred tax asset previously not recognised	2	(684)
Other differences	1,380	3,505
Total tax charge for the year	4,664	18,544

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

Factors that may affect future tax charges

The Chancellor announced that the main rate of UK corporation tax remains at 19% for the financial year beginning 1 April 2020. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

In addition to the amount charged to the Statement of Comprehensive Income, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019	2018
	£'000	£'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(458)	481

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

13 Dividends

	2019	2018
	£'000	£'000
Dividends paid on ordinary shares of £Nil (2018 - £869) per share	-	60,000

14 Intangible assets

Group

**Goodwill on
consolidation
£'000**

Cost

**At 1 January 2019 and at 31
December 2019**

16,238

Amortisation

1 January 2019

13,817

Amortisation charged in the year

1,090

31 December 2019

14,907

Net book value

31 December 2019

1,331

31 December 2018

2,421

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

15 Tangible fixed assets

Group

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Cost					
1 January 2019	13,850	14,028	27,444	85	55,407
Exchange adjustment	(413)	(222)	(288)	-	(923)
Additions	24,555	538	18,420	1,007	44,520
Transfers	487	-	82	(569)	-
Disposals	-	(8,763)	(9,333)	-	(18,096)
At 31 December 2019	38,479	5,581	36,325	523	80,908
Depreciation					
1 January 2019	3,696	4,244	17,613	-	25,553
Exchange adjustment	(64)	-	(272)	-	(336)
Charge for the year	707	418	1,925	-	3,050
Disposals	-	(4,489)	(4,965)	-	(9,454)
At 31 December 2019	4,339	173	14,301	-	18,813
Net book value					
At 31 December 2019	34,140	5,408	22,024	523	62,095
At 31 December 2018	10,154	9,784	9,831	85	29,854

Included within freehold land and buildings is freehold land amounting to £10.9m (2018 - £1.0m) which is not depreciated.

In 2019, the Group disposed leasehold land and buildings with profit on disposal recognised in the Statement of Comprehensive Income.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

15 Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Leasehold land and buildings £'000	Total £'000
Cost			
At 1 January 2019	6,829	8,763	15,592
Additions	9,948	-	9,948
Disposals	-	(8,763)	(8,763)
At 31 December 2019	16,777	-	16,777
Depreciation			
1 January 2019	2,725	4,210	6,935
Charge for the year	273	279	552
Disposals	-	(4,489)	(4,489)
At 31 December 2019	2,998	-	2,998
Net book value			
At 31 December 2019	13,779	-	13,779
At 31 December 2018	4,104	4,553	8,657

Included within freehold land and buildings is freehold land amounting to £10,948,000 (2018 - £1,000,000) which is not depreciated.

In 2019, the Company disposed leasehold land and buildings with profit on disposal recognised in the Statement of Comprehensive Income.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

16 Investment properties

	Freehold	Long leasehold	Properties under construction	Total
	£'000	£'000	£'000	£'000
Group				
Fair value				
1 January 2019	548,971	80,601	203,760	833,332
Additions	41,502	573	72,657	114,732
Disposals	(133,889)	-	(3,895)	(137,784)
Exchange differences	147	-	(5,071)	(4,924)
Transfer	8,643	1,680	(10,323)	-
Appropriation to trading stock	(12,388)	-	(11)	(12,399)
Fair value gains / (losses)	(1,419)	(17,725)	22,087	2,943
31 December 2019	451,567	65,129	279,204	795,900

If investment properties were not stated on a fair value basis, they would have been stated at a cost of £795,533,000 (2018 - £780,640,000). The investment properties are held at fair value as at 31 December 2019 based on internal valuations performed by suitably qualified individuals and approved by the Directors.

The investment property was valued using a yield methodology approach using unobservable inputs. The significant unobservable inputs used in the valuation at 31 December 2019 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 adjustment made to reflect the particular characteristics of the Group's property. 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 development 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.

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

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

17 Fixed asset investments

Group

	Other Investments £'000	Associated undertakings £'000	Total £'000
Cost			
At 1 January 2019	547	10,481	11,028
Additions	35	-	35
Share of profits after tax	-	1,613	1,613
Repayment of loan by associate	-	(233)	(233)
At 31 December 2019	582	11,861	12,443
Impairment			
At 1 January 2019	350	-	350
Impairment charge	162	-	162
At 31 December 2019	512	-	512
Carrying amount			
At 31 December 2019	70	11,861	11,931
At 31 December 2018	197	10,481	10,678

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

17 Fixed asset investments (continued)

	2019	2018	
	£'000	£'000	
Company			
Investments in subsidiaries	42,566	44,311	
Movements in fixed asset investments			
	Other	Investment in	Total
	Investments	subsidiaries	£'000
	£'000	£'000	
Cost			
At 1 January 2019	547	54,626	55,173
Additions	35	-	35
At 31 December 2019	582	54,626	55,208
Impairment			
At 1 January 2019	350	10,512	10,862
Impairment charge	162	1,618	1,780
At 31 December 2019	512	12,130	12,642
Carrying amount			
At 31 December 2019	70	42,496	42,566
At 31 December 2018	197	44,114	44,311

In the opinion of the Directors, the aggregate value of the Company's realisable investment in subsidiary undertakings is not less than the amount included in the balance sheet.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

18 Subsidiary undertakings

Details of the subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Country of incorporation	Class of shareholding	Proportion of nominal value held		Nature of business
			Directly	Indirectly	
I.M. Facilities Limited ⁽¹⁾	England and Wales	Ordinary	100%	-	Facilities management services
International Motors Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Holding Company
I.M. Aviation Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Aircraft travel services
Subaru (UK) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle distributors
Isuzu (UK) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle distributors
Daihatsu Vehicle Distributors Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle distributors
Great Wall Motor Distributors (UK) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle distributors
I.M. Parts and Service Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle parts and accessories distributors
I.M. Trade Assist Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle homologation and distribution
I.M. UK Trade Company Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Vehicle cleaning
International Motors (Ireland) Limited ⁽³⁾	Ireland	Ordinary	-	100%	Holding and management
I.M. European Motors Limited ⁽³⁾	Ireland	Ordinary	-	100%	Vehicle distributors
I.M. Automotive Limited (Ireland) ⁽³⁾	Ireland	Ordinary	-	100%	Vehicles, parts and accessories distributors
Great Wall Motors Limited ⁽³⁾	Ireland	Ordinary	-	100%	Vehicle distribution
International Motors Nordic AB (Sweden) ⁽⁴⁾	Sweden	Ordinary	-	100%	Vehicles, parts and accessories distributors
I.M. Properties Nordic AB (Sweden) ⁽⁴⁾	Sweden	Ordinary	-	100%	Property investment
Subaru Nordic AB (Sweden) ⁽⁴⁾	Sweden	Ordinary	-	100%	Vehicles, parts and accessories distributors
Isuzu Sverige AB (Sweden) ⁽⁴⁾	Sweden	Ordinary	-	100%	Vehicle distributors
Great Wall Nordic AB (Sweden) ⁽⁴⁾	Sweden	Ordinary	-	100%	Vehicle distributors
I.M. Insurance Company Limited (Guernsey) ⁽²⁾	Guernsey	Ordinary	-	100%	Insurance Company
Beijing I.M. Trade Consultancy Company Limited ⁽⁵⁾	China	Ordinary	-	100%	Trade consultancy
Beijing I.M. Trading Company Limited ⁽¹¹⁾	China	Ordinary	-	100%	Vehicle parts and accessories
Beijing VCA Technology Service Company Limited ⁽¹²⁾	China	Ordinary	-	100%	Trade consultancy
I.M. Group (Ensleigh) Limited ⁽¹⁾	England and Wales	Ordinary	75%	25%	Property investment
Ensleigh Property Management Company Ltd ⁽¹⁾	England and Wales	Ordinary	100%	-	Property management
Specialist Motor Finance Group Limited ⁽¹⁾	England and Wales	Ordinary	100%	-	Holding Company
Specialist Motor Finance Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Provider of finance
Specialist Motor Finance Services Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Provider of finance
The Funding Corporation Group Limited ⁽¹⁾	England and Wales	Ordinary	100%	-	Holding Company
The Funding Corporation Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Provider of servicing of finance and sales of related financial products
The Funding Corporation (1) Limited ⁽⁶⁾	England and Wales	Ordinary	-	100%	Provider of finance

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

18 Subsidiary undertakings (continued)

Name of undertaking	Country of incorporation	Class of shareholding	Proportion of nominal value held		Nature of business
			Directly	Indirectly	
The Funding Corporation (2) Limited ⁽⁶⁾	England and Wales	Ordinary	-	100%	Provider of sub-prime motor finance
Cygnnet Financial Services Limited ⁽⁶⁾	England and Wales	Ordinary	-	100%	Provider of finance
ACF Car Finance Limited ⁽⁶⁾	England and Wales	Ordinary	-	100%	Provider of finance
I.M. Properties Plc ⁽¹⁾	England and Wales	Ordinary	100%	-	Property investment and development
First residential Investment Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Holding Company
I.M. Properties (SHB) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Abbey) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties Investment Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
I.M. Properties (Maidenhead) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
Yorkshire Property Holdings Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (WHB) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties Development Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
Meaujo Properties PLC ⁽¹³⁾	Scotland	Ordinary	-	100%	Property investment and development
I.M. Properties (Coleshill) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Magna Park) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Bristan) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Logistics) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Milton Keynes) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Croydon) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Birmingham) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
I.M. Properties Birmingham Development Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
I.M. Properties (BVP 1) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (BVP 2) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
I.M. Properties (Reading 2) Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Mell Square1) Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
Spitfire Bespoke Homes Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M Land 2 Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M. Property Estates Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M. Properties (BVP 3) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

18 Subsidiary undertakings (continued)

Name of undertaking	Country of incorporation	Class of shareholding	Proportion of nominal value held		Nature of business
			Directly	Indirectly	
I.M Land 1 Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M Land 3 Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M Land 4 Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
IMP Residential 2 Limited ⁽¹⁾	England and Wales	Ordinary	-	75.2%	Property development
I.M. Properties Strategic Land Group Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Holding Company
I.M. Property Holdings Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M. Properties (Longton) Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties (Guildford 2) Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
BVP Management Company Ltd ⁽¹⁾	England and Wales	Ordinary	-	57.5%	Property Management
I.M. Properties (Dordon 2) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
I.M.P Development Management Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment and development
Spitfire Property Group Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Holding Company
Spitfire Properties (Newhall) Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M. Properties Investments HSBC 2 Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties Investment SHB 2 Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Investments Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Investments RBS Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Investments RBS 2 Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Investments LBG Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Investments SHB Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Investments HSBC Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
Watad (UK) Properties Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Hill Top Estates Ltd ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
IMP Residential Capital Markets Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property development
I.M. Properties Finance Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Property investment
I.M. Properties Investments (USA) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Holding Company
I.M. Properties (Wisconsin 1) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Holding Company
I.M. Properties Management LLC ⁽⁹⁾	United States	Ordinary	-	100%	Property investment
USA Real Estate Funding LLC ⁽⁹⁾	United States	Ordinary	-	100%	Property investment
I.M. Bradford Brookfield Venture LLC ⁽⁹⁾	United States	Ordinary	-	100%	Property investment
IM Brookfield WI LLC ⁽⁹⁾	United States	Ordinary	-	100%	Holding Company
Brookfield Corners LLC ⁽⁹⁾	United States	Ordinary	-	90%	Property investment

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

18 Subsidiary undertakings (continued)

Name of undertaking		Class of shareholding	Proportion of nominal value held		Nature of business
			Directly	Indirectly	
Brookfield Parking LLC ⁽⁹⁾	United States	Ordinary	-	90%	Property investment
IM Kensington Developments LLC ⁽⁹⁾	United States	Ordinary	-	50%	Property development
IMKD1 LLC ⁽⁹⁾	United States	Ordinary	-	50%	Property development
Bradford I.M. Westmont Venture LLC ⁽⁹⁾	United States	Ordinary	-	50%	Property development
IM Kensington MG LLC ⁽⁹⁾	United States	Ordinary	-	50%	Property development
Brookfield Residential LLC ⁽⁹⁾	United States	Ordinary	-	90%	Property investment
I.M. Properties (Australia) Pty Ltd ⁽¹⁰⁾	Australia	Ordinary	-	100%	Holding Company
I.M. Duporth Pty Ltd ⁽¹⁰⁾	Australia	Ordinary	-	100%	Property development
IM Properties (Mainaschaff) Gmbh ⁽⁸⁾	Germany	Ordinary	-	94.8%	Property investment
IM Properties (Mainaschaff 2) Gmbh ⁽⁸⁾	Germany	Ordinary	-	100%	Property investment
IM Properties (Stolberg) Gmbh ⁽⁸⁾	Germany	Ordinary	-	94.0%	Property investment
Grove Asset 1 Sarl ⁽⁷⁾	Luxembourg	Ordinary	-	100%	Property investment
IM Properties (Europe) Holdings S.a.r.l. ⁽⁷⁾	Luxembourg	Ordinary	-	100%	Holding Company
IM Properties (Germany) S.a.r.l. ⁽⁷⁾	Luxembourg	Ordinary	-	100%	Property investment
County Leasing & Finance Limited ⁽⁶⁾	England and Wales	Ordinary	-	100%	Provider of finance
Daihatsu (Svergie) AB (Sweden) ⁽⁴⁾	Sweden	Ordinary	-	100%	Dormant
I.M. Finance Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
KVD Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
International Motors Parts and Service Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
MFPS Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
Great Wall Motor Company Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
I.M. Distribution Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
Mahindra Cars Distributors (UK) Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
I.M. Equipment Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
I.M. Financial Services Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
Specialist Motor Finance Services Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
The Funding Corporation (4) Limited ⁽⁶⁾	England and Wales	Ordinary	-	100%	Dormant
Spitfire Properties LLP ⁽¹⁾	England and Wales	Member	-	100%	Dormant
Spitfire Properties 2 Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
Spitfire Homes Holdings Limited ⁽¹⁾	England and Wales	Ordinary	-	100%	Dormant
I.M. Properties (Mell Square) LLP ⁽¹⁾	England and Wales	Member	-	50%	Dormant
I.M. Properties (Illinois 7) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Dormant
I.M. Properties (Illinois 8) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Dormant
I.M. Properties (Illinois 9) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Dormant
I.M. Properties (Illinois 10) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Dormant
I.M. Properties (Illinois 11) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Dormant
I.M. Properties (Illinois 12) LLC ⁽⁹⁾	United States	Ordinary	-	100%	Dormant

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

18 Subsidiary undertakings (continued)

Registered office address:

1. The Gate, International Drive, Solihull, Birmingham, B90 4WA
2. 11 New Street, St Peter Port, Guernsey, GY1 2PF
3. I.M. House, NVD Complex, Brownsbarn, Baldonell, Co. Dublin
4. Box 21041, 200 21 Malmö, Starrvägen 15 232 61 61 Ärlov
5. Room 102, Tower 4, No.10 Yard, Ronghua South Road, YiZhuang Economic Development Area, Beijing, 100176, P.R. China
6. International House Kingsfield, Court Chester Business Park, Chester, Cheshire, CH4 9RF
7. 58 rue Charles Martel, L-2134 Luxembourg
8. Eschenhiemer Anlage 1, 60316 Frankfurt am Main, Germany
9. 77W. Wacker Drive, Suite 4025, Chicago, Illinois 60601, USA
10. Sunshine Coast, Level 3, 2 Emporio Place, 2 Maroochy Blvd, Maroochydore, QLD, 4558, Australia
11. Room 103-1, No.4 Building, Tower 4, RongHua South Road, YiZhuang, Beijing Economic- Technological Development Area, Beijing, 100176, P.R. China.
12. Room 103-2, No.4 Building, Tower 4, RongHua South Road, YiZhuang, Beijing Economic- Technological Development Area, Beijing, 100176, P.R. China.
13. 18 Bon Accord Square, Aberdeen AB11 6DJ, United Kingdom

19 Associates

Details of the Group's associates at 31 December 2019 are as follows:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
International Motors Finance Limited	Ordinary 'B' shares of £1 each	100%	Finance facilities for retail customers and motor dealers

The Company does not hold any Ordinary 'A' shares in issue, and therefore by virtue of International Motor Finance Limited's articles of association, only holds 49% of the participation rights in the investee entity. The loans to associated undertakings relate to a subordinated loan to International Motors Finance Limited (IMFL) which is only repayable subsequent to the discharge of all creditors of IMFL. During the year, International Motors Finance Limited opted to make loan repayments of £234,000 (2018 - £1,306,000).

The registered office of International Motors Finance Limited is Charterhall House, Charterhall Drive, Chester, CH88 3AN.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

19 Associates (continued)

The net assets and results of International Motors Finance Limited are as follows:

	2019 £'000	2018 £'000
Current assets	152,694	154,010
Creditors: Amounts falling due within one year	(130,711)	(134,774)
Net assets	<u>21,983</u>	<u>19,236</u>
Net assets attributable to the Group	<u>10,772</u>	<u>9,426</u>
Turnover	8,340	8,310
Net expenses	(4,276)	(4,100)
Profit for the year before taxation	<u>4,064</u>	<u>4,210</u>
Profit for the year attributable to the Group (before taxation)	<u>1,991</u>	<u>2,063</u>

20 Stocks

	2019 £'000	Group 2018 £'000
Vehicles and parts for resale	144,498	104,215
Work in progress	157,708	138,180
Land held for development	43,199	36,252
	<u>345,405</u>	<u>278,647</u>

The consolidated cost of inventories expensed in the period and included within cost of sales was £459,345,000 (2018 - £461,275,000). Impairment losses relating to aged inventories and included within cost of sales amounted to £2,138,000 (2018 - £434,000).

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21 Consumer loan assets

Total consumer loan assets are analysed as follows:

	2019 £'000	2018 £'000
Non-current	109,341	83,350
Current	32,042	24,165
	<u>141,383</u>	<u>107,515</u>

Consumer loan assets are further analysed by contractual maturity as follows:

	2019 £'000	2018 £'000
Less than one year	32,042	24,165
More than one year but less than 5 years	108,218	81,793
More than 5 years	1,123	1,557
	<u>141,383</u>	<u>107,515</u>

Consumer loan assets analysed by security is as follows:

	2019 £'000	2018 £'000
Hire purchase	138,346	103,330
Secured personal loans	3,037	4,185
	<u>141,383</u>	<u>107,515</u>

Personal loans are secured against a residential property.

Consumer loan assets are analysed by arrears position as follows:

	2019 £'000	2018 £'000
Not in arrears	130,337	98,979
Past due but not impaired	4,700	3,775
Past due and impaired	9,531	7,674
Gross consumer loan assets	<u>144,568</u>	<u>110,428</u>
Less: allowance for impairment	<u>(3,185)</u>	<u>(2,913)</u>
	<u>141,383</u>	<u>107,515</u>

Impairment is deducted from the carrying value of the consumer loan assets by use of an allowance for impairment. The movement in the allowance for impairment during the year is as follows:

	2019 £'000	2018 £'000
At 1 January	2,913	1,761
Charge for the year	5,086	3,825
Impairment gains for the year	(865)	(1,033)
Amounts written-off during the year	<u>(3,949)</u>	<u>(1,640)</u>
	<u>3,185</u>	<u>2,913</u>

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

22	Debtors	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
	Amounts falling due within one year:				
	Trade debtors	57,748	39,816	-	-
	Corporation tax recoverable	6,887	6,983	2,818	4,196
	Amounts due from Group undertakings	-	-	89,946	177,170
	Derivative financial assets	5,547	1,538	-	-
	Other debtors	34,585	20,982	6,120	1,100
	Prepayments and accrued income	29,417	32,749	214	17
	Deferred tax asset (note 28)	803	3,421	312	-
		<u>134,987</u>	<u>105,489</u>	<u>99,410</u>	<u>182,483</u>

The impairment gain recognised in the Consolidated Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £366,000 (2018 – charge of £141,000).

The impairment charge recognised in the Company Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £Nil (2018 –£Nil).

Included within prepayments and accrued income is £Nil (2018 - £3,600,000) being the sale of two investment properties that exchanged unconditionally in 2019 and completed in 2019.

Included within Group debtors is a trade debtor of £4,000,000 (2018 - £Nil), deferred tax asset of £11,000 (2018 - £2,005,000) and derivative financial instruments of £5,547,000 (2018 - £1,537,000) due after more than one year.

23	Creditors: Amounts falling due within one year	Group		Company	
		2019 £'000	As restated 2018 £'000	2019 £'000	As restated 2018 £'000
	Bank loans and overdrafts	71,670	61,724	-	-
	Other loans	195,001	204,789	-	-
	Loan notes	59,100	59,100	59,100	59,100
	Corporation tax payable	3,738	8,932	-	-
	Deferred tax liability (note 28)	-	-	-	219
	Other taxation and social security	15,144	15,353	-	-
	Derivative financial instruments	3,310	1,085	-	-
	Trade creditors	50,948	23,539	130	-
	Amounts due to fellow Group undertakings	-	-	64,099	144,728
	Other creditors	13,539	25,822	-	-
	Accruals and deferred income	67,081	68,550	3,857	12,790
		<u>479,531</u>	<u>468,894</u>	<u>127,186</u>	<u>216,837</u>

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

24	Creditors: Amounts falling due after more than one year	Group		Company	
		2019	As restated 2018	2019	As restated 2018
		£'000	£'000	£'000	£'000
	Loans and overdrafts	452,898	377,203	-	-
	Derivative financial instruments	5,743	3,314	-	-
		<u>458,641</u>	<u>380,517</u>	<u>-</u>	<u>-</u>

Bank loans, where utilised for the purchase of investment properties, are primarily secured against those properties.

Loans totalling £346,800,000 (2018 - £364,400,000) are secured by fixed and floating charges on the assets of a number of subsidiaries and additional charges over the rental income of these 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 August 2020 to August 2023.

Other loans totalling £64,000,000 (2018 - £81,347,000) are secured on the share capital of I.M. Properties Plc. Further details of the other loans are given in note 34.

The Group headed by I.M. Properties Plc operates a combined hedging policy against interest rate movements utilising a combination of interest rate cap and swap contracts. As at 31 December 2019 the Group had hedged 78% of sterling debt and 84% of debt in total across the Group worldwide (2018 - 48% and 52% respectively).

The Group headed by Specialist Motors Finance Limited entered into a Term and Revolving Facility Agreement in October 2018. This originally comprised of a committed £25,000,000 Revolving Credit Facility and an uncommitted £85,000,000 Term Loan Facility. On 3 December 2019 and additional uncommitted £20,000,000 Term Loan was made available. All loans are due for repayment in October 2022. At 31 December 2019 £16,500,000 of the Revolving Credit Facility was drawn and £82,500,000 of the Term Loan Facility was drawn. The loans are secured on the various assets of the Company.

The loan notes are to be redeemed on the first to occur of: i) a change in control of The Funding Corporation Group Limited; ii) death of the vendor; iii) I.M. Group Limited going into administration; iv) an encumbrance taking possession or a receiver being appointed; v) an order being made or an effective resolution being passed for the winding up of all members of The Funding Corporation Group Limited; and vi) The Funding Corporation Group Limited going into administration. Until the loan stock is repaid in full, interest is payable at 8.25% per annum.

The prior year financial statements recorded the loan notes of £59,100,000 as non-current. The loan notes are due to be redeemed on the occurrence of a number of events which are not in the control of the Company and therefore the loan notes should have been classified as current liabilities. The Group and Company financial statements have therefore been updated to correct the presentation of the loan notes. There is no change in the net assets, profits or cash flows of the Group or Company.

Subsequent to the year end, the loan stock holder has signed a variation to the loan note instrument and verified that the loan note redemption provisions shall remain redeemable events save that any redemption relating to them shall not take place until at least 12 months from the day after signature of these Group financial statements.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

25 Financial instruments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial assets				
Financial assets measured at amortised cost	374,470	359,146	94,940	178,270
Derivative financial instruments	5,547	1,538	-	-
	380,017	360,684	94,940	178,270
Financial liabilities				
Financial liabilities measured at amortised cost	888,974	806,446	127,186	207,900
Derivative financial instruments	9,053	4,399	-	-
	898,027	810,845	127,186	207,900

Financial assets measured at amortised cost comprise of bank and cash balances, trade debtors, consumer loan assets, other debtors, accrued income and amounts owed by Group undertakings.

Financial liabilities measured at amortised cost comprise of bank loans, other loans, loan notes, trade creditors, amounts owed to Group undertakings, other amounts due to related parties, other creditors and accruals.

Interest rate swaps

The Group's interest rate risk arises from interest received on cash deposits and interest paid on borrowings. Cash deposited and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Cash deposited and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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.

At 31 December 2019, if interest rates on borrowings at that date had been 100 basis points higher with all other variables held constant, post tax profit (2018 – post-tax profit) for the year would have been £522,000 lower (2018 - £1,494,000 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 2019 was £294,673,000 (2018 - £237,441,000). At 31 December 2019, the fixed interest rates vary from 1.40% to 2.00% and floating rates from 0.77% to 0.92% (2018 – fixed interest rates vary from 1.04% to 3.05% and floating rates from 0.80% to 0.91%).

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

25 Financial instruments (continued)

The Group's net derivative financial liabilities are measured at fair value of £3,506,000 (2018 - £4,399,000) and comprise interest rate swaps, interest rate caps and foreign exchange trades (2018 - interest rate swaps, interest rate caps and foreign exchange trades).

The fair value of the Group's interest rate swaps 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 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 a liability of £5,541,000 (2018 – liability of £1,085,000) with £Nil (2018 - £1,085,000) shown within financial liabilities and £5,541,000 (2018 £Nil) 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 £1,456,000 (2018 – loss of £6,274,000) has been recorded in other comprehensive income.

26 Borrowings

	Group	
	2019	As restated
	£'000	2018
		£'000
Bank loans	474,112	438,927
Other loans	304,557	263,889
	<u>778,669</u>	<u>702,816</u>
Payable within one year	325,771	325,613
Payable within one to two years	272,176	72,579
Payable within two to five years	180,722	304,624
	<u>778,669</u>	<u>702,816</u>

27 Provisions for liabilities

	Group	
	2019	2018
	£'000	£'000
Product warranty and service	8,585	7,402
Conduct remediation	846	1,236
Other provisions	4	4
Deferred tax liabilities	6,217	10,138
	<u>15,652</u>	<u>18,780</u>

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

27 Provisions for liabilities (continued)

Movements on provisions apart from retirement benefits.

	Product warranty £'000	Conduct remediation £'000	Other provisions £'000	Deferred taxation £'000	Total £'000
Group					
1 January 2019	7,402	1,236	4	10,138	18,780
Exchange adjustment	(234)	-	-	-	(234)
Utilised in the year	(1,418)	(447)	-	-	(1,865)
Charged to other comprehensive income	-	-	-	(214)	(214)
Charged/(Credited) to the statement of comprehensive income	2,835	57	-	(3,707)	(815)
31 December 2019	8,585	846	4	6,217	15,652

28 Deferred taxation

	Deferred Taxation £'000
Company	
1 January 2019	219
Credited to the statement of comprehensive income	(531)
31 December 2019 (note 22)	(312)

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred tax liabilities	6,217	10,138	-	219
Deferred tax assets	(803)	(3,421)	(312)	-
Net position at 31 December 2019	5,414	6,717	(312)	219

The major deferred tax liabilities and assets recognised are:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred tax liabilities:				
Accelerated capital allowances	2,671	1,837	-	219
Valuation of land and buildings	3,546	8,301	-	-
	6,217	10,138	-	219

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

28 Deferred taxation (continued)

The major deferred tax liabilities and assets recognised are:

	Group		Company	
Deferred tax assets:	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Other timing differences	(238)	380	312	-
Tax losses	121	441	-	-
Valuation of land and buildings	11	1,229	-	-
Derivative financial instruments measured at fair value	-	776	-	-
Pension scheme	909	595	-	-
	803	3,421	312	-

29 Retirement benefits schemes

The Group operates a defined contribution scheme as its principal pension arrangement.

The Group's previous pension arrangement is the International Motors Limited Retirement Benefits Scheme ("The Scheme"), a defined benefit scheme. With effect from 1 January 2003 The Scheme was closed to new members and from 1 January 2013 it was closed to future service accrual for existing members. 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.

The Scheme is run on a basis that does not enable individual companies within the Group to identify their share of the underlying assets and liabilities. As a consequence the whole Group liability in respect of The Scheme has been included in International Motors Limited.

From 1 January 2003 a stakeholder Pension Plan, which is of a defined contribution nature, has been available to new employees and other entrants.

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

The cost to the Group for all schemes during the year was £1,876,000 (2018 – £1,826,000). The amount outstanding at the year-end included within accruals was £952,000 (2018 - £Nil).

The most recent triennial funding valuation took place as at 31 December 2018. Independent consulting actuaries, Hughes Price Walker Ltd, have updated the results of this valuation and adjusted the assumptions for market conditions at this balance sheet date.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

29 Retirement benefits schemes (continued)

Reconciliation of present value of plan liabilities:

	2019 £'000	2018 £'000
At the beginning of the year	(39,107)	(44,147)
Interest cost	(1,155)	(1,129)
Actuarial (losses) / gains	(5,777)	4,686
Benefits paid	1,237	1,483
Plan liabilities at 31 December 2019	(44,802)	(39,107)

Reconciliation of present value of plan assets:

	2019 £'000	2018 £'000
At the beginning of the year	35,608	37,052
Interest income	1,050	944
Actuarial gains / (losses)	3,085	(1,857)
Contributions	952	952
Benefits paid	(1,237)	(1,483)
Plan assets at 31 December 2019	39,458	35,608

Composition of plan assets:

	2019 %	2018 %	2019 £'000	2018 £'000
Equities	45.9%	41.9%	18,098	14,916
Property	27.8%	31.8%	10,950	11,329
Bonds	10.6%	9.5%	4,189	3,396
Other	14.0%	14.3%	5,531	5,098
Annuities	1.7%	2.5%	690	869
Total plan assets			39,458	35,608

The value of the plan assets and liabilities were:

	2019 £'000	2018 £'000
Fair value of plan assets	39,458	35,608
Less present value of plan liabilities	(44,802)	(39,107)
Net pension scheme liability	(5,344)	(3,499)

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

29 Retirement benefits schemes (continued)

The amounts recognised in profit or loss are as follows:

	2019 £'000	2018 £'000
Net interest on defined benefit liability	(105)	(185)

The amounts recognised in other comprehensive income are as follows:

	2019 £'000	2018 £'000
Return on plan assets less income on assets	3,085	(1,857)
Actuarial (losses) / gains on liabilities	(5,777)	4,686
Total re-measurements recognised in other comprehensive income	(2,692)	2,829

Reconciliation of fair value of plan liabilities were as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	(3,499)	(7,095)
Actuarial (losses) / gains	(2,692)	2,829
Employer contributions	952	952
Expense recorded in profit and loss	(105)	(185)
Closing defined benefit obligation	(5,344)	(3,499)

The cumulative amount of actuarial losses recognised in the Statement of Total Comprehensive Income was £2,692,000 (2018 – gain of £2,829,000).

The Group expects to contribute £952,000 to its defined benefit pension scheme in 2020. The policy of the Group is to cash fund the pension scheme from its own cash reserves to provide sufficient liquid resource to service scheme liabilities.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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29 Retirement benefits schemes (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

Main financial assumptions	2019	2018
Discount rate	2.1%	3.0%
Rate of price inflation:		
- RPI	3.0%	3.2%
- CPI	2.0%	2.2%
Rate of increase for pensions in deferment:		
- Leavers before to 01/08/08	2.0%	2.2%
- Leavers from 01/08/08, service to 31/12/10	3.0%	3.2%
- Leavers from 01/08/08, service from 01/01/11	2.5%	2.5%
Rate of increase for pensions in payment:		
- RPI inflation, max 5%	2.9%	3.1%
- RPI inflation, max 2.5%	2.1%	2.1%

Retirements	Normal retirement age	Normal retirement age
Commutation	50% of maximum	50% of maximum

The mortality assumptions and life expectancies:

	2019	2018
Base table	100% S3NxA	100% S2NxA
Future improvements	CMI 2018 Core	CMI 2017 Core
Long term rate	1.25%	1.25%
	2019	2018
Expected future lifetime from age 65:		
- Male currently aged 65	22.1 years	22.2 years
- Male currently aged 45	23.4 years	23.6 years
- Female currently aged 65	24.5 years	24.2 years
- Female currently aged 45	25.9 years	25.7 years

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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30 Share capital

**69,012 Ordinary
shares of £1 each
£'000**

Allotted, issued and fully paid:

At 1 January 2019 and 31 December 2019

69

Ordinary share rights

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

31 Reserves

Other reserve

Other reserve relates to a historical, non-distributable reserve arising on a previous Group reorganisation.

Profit and loss reserves

The profit and loss reserve represents cumulative profits and losses net of distributions to owners.

Non-controlling interest

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

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 2018 represents the book value of the shares in IMP Investments Limited that had not been purchased by the Group at that date.

32 Financial commitments, guarantees and contingent liabilities

The Group headed by I.M. Properties Plc entered into a guarantee with IM Properties Development Limited in a collaboration agreement with Testament Trumps Limited (TTL) in relation to land at Holtspur Avenue, Wooburn Green, Wycombe. The obligation is in relation to the promotion costs of the site and compliance with the disposal strategy. The guarantee currently stands at £827,000 (2018 - £832,000).

I.M. 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 £40,000,000 (2018 - £40,000,000). The guarantee is in place for the duration of the build and rectification periods, which achieved practical completion in April 2020. The rectification period expires April 2021, being 12 months from practical completion and the guarantee remains in force throughout this period.

During the year I.M. Properties Plc entered into a similar guarantee for another private rental scheme, this time in Cardiff. The maximum contractual liability in relation to the guarantee is £50,610,000 (2018 - £Nil). The guarantee remains in place for the duration of the build and rectification period, which will achieve practical completion in May 2022. The rectification period expires May 2023, being 12 months from practical completion and the guarantee remains in force throughout this period.

I.M. Properties Plc has entered into a guarantee in relation to a bond facility that Spitfire Bespoke Homes Ltd have with external bond providers (NHBC, Premier, Checkmate, LABC) of £1,347,000 (2018 - £1,100,000) should there be any default in contracted housing activity by Spitfire Bespoke Homes Ltd.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

32 Financial commitments, guarantees and contingent liabilities (continued)

I.M. Properties Plc and I.M. Property Investments (USA) LLC have entered into limited guarantees in relation to bank funding for a series of small developments in Illinois, USA. The combined maximum exposure of these Limited Repayment Guarantees is \$35,255,000 as at 31 December 2019 (2018 - \$12,500,000). The loans underlying the guarantees run on average for two years. The current loans will terminate between June 2021 and November 2022, the guarantee will fall away when the loan facility is repaid and cancelled. As at 31 December 2019 \$19,500,000 of these guarantees related to loans that had not been drawn and therefore there was no exposure under these guarantees.

I.M. Properties PLC and I.M. Property Investments (USA) LLC have also provided completion guarantees for these developments in Illinois. Based on the project budgets the potential exposure as at 31 December 2019 under these guarantees was \$19,845,000.

The Company has entered into unlimited cross-guarantees with other Group undertakings, guaranteeing for each undertakings bank overdraft and other facilities available which have Group limits of £71,800,000 (2018 - £55,400,000).

The Group has capital commitments as at 31 December 2019 of £32,697,000 (2018 - £393,000).

Interest rate swaps

The notional principle amount of outstanding interest rate swap contracts at 31 December 2019 was £294,673,000 (2018 - £237,441,000).

33 Operating lease commitments

Lessee:

At the year end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	2,327	2,327
Between one and five years	9,301	9,275
After five years	149,305	151,602
	<u>160,933</u>	<u>163,204</u>

The above operating lease includes the leases of two properties from a third party. The lease extends over a term of 70 years (2018 - 71 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.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

33 Operating lease commitments (continued)

Lessor:

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

	2019 £'000	2018 £'000
Less than one year	35,710	41,044
Between one and five years	138,633	159,251
After five years	346,369	413,207
	<u>520,712</u>	<u>613,502</u>

34 Related party transactions

Lord Edmiston

The Group made charitable donations of £8,000,000 (2018 - £12,750,000) to Christian Vision, a registered charity formed by Lord Edmiston, his family and close associates, of which they are trustees.

Management fees of £540,000 (2018 - £494,000) were charged to Christian Vision. At the year end amounts of £644,000 (2018 - £494,000) were due from Christian Vision.

The Group has an unsecured loan with Lord Edmiston repayable by 31 December 2019. At the year-end £50,456,000 (2018 - £52,442,000) was due to Lord Edmiston. Interest of £2,472,000 (2018 - £2,570,000) has been charged to the profit and loss on this loan in the year.

Included within creditors payable after more than one year are loan notes payable to Lord Edmiston. Details of the terms of these loan notes are disclosed in note 24. Interest of £4,876,000 (2018 - £4,876,000) has been charged to the Statement of Comprehensive Income during the year.

The Group has a further unsecured loan from Lord Edmiston of £71,000,000 (2018 - £71,000,000). The loan is interest free and repayable on demand.

At 31 December 2019, a balance of £77,000 (2018 - £68,000) was due from Lord Edmiston for recharged costs.

At 31 December 2019, the Group had a loan due to Lord Edmiston, a director and ultimate controlling party of the Company, of £20,000 (2018 - £25,000). The Group operates an ongoing current account facility with Lord Edmiston that periodically goes overdrawn. Loan balances are repaid on a regular basis. Interest charged during the year in respect of this balance was £Nil (2018 - £Nil).

IM Duporth Pty Ltd had previously entered into a development contract with Lord Edmiston to build a residential unit for cost plus a market level management fee. During 2019 the Group has recognised accrued profit of £345,000 (2018 - £126,000) on the development. At the year-end £9,558,000 (2018 - £2,652,000) is included in other debtors in respect of this contract.

Property division

The property division 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 members. At the year end £64,000,000 (2018 - £81,347,000) was due to the pension scheme. Interest of £1,762,000 (2018 - £2,064,000) has been charged to the Statement of Comprehensive Income during the year.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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34 Related party transactions (continued)

During the year I.M. Properties Plc acquired 100% of the issued capital of Spitfire Property Group Ltd for consideration of £4,970,000. This amount was settled during the year. Spitfire Property Group Ltd have a direct holding of 14.3% in Spitfire Bespoke Homes Ltd. The acquisition has given I.M. Properties Plc a 100% holding in Spitfire Bespoke Homes Ltd.

At 31 December 2018 amounts due to Group undertakings in the Company balance sheet included £320,000 due to Spitfire Bespoke Homes Limited. No amount was outstanding as at 31 December 2019.

The Group, headed by I.M. Properties Plc holds a 1% interest in Orland Park LP. The remaining 99% is held by Lord Edmiston. At 31 December 2019 £399,000 (2018 - £318,000) was due from Orland Park LP.

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 been accounted for using 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. The comparative financial statements have been amended to include the acquired entities.

The Group acquired the share capital of IMP Investments Limited for £60,001,000, which represented book value of the investment held by IMG Jersey Holdings Ltd. At 31 December 2018 the assets and liabilities of IMP Investments Limited and its subsidiaries included in the consolidation are as set out below:

	Book value £ '000
Investment properties	247,144
Stock	7,302
Debtors	5,236
Bank and cash	5,386
Creditors due in less than one year	(82,801)
Creditors due in less than one year	(103,158)
Net assets	79,109

Automotive division

At 31 December 2019, the automotive division had a loan due from A M Edmiston, a director of the Company, of £104,000 (2018 - £24,000). The Group operates an ongoing current account facility with A M Edmiston that periodically goes overdrawn. Loan balances are repaid on a regular basis. Interest charged during the year in respect of this balance was £Nil (2018 - £Nil).

At 31 December 2019, the automotive division had a loan due to G E Hutton, a director of the Company, of £43,000 (2018 - due from G E Hutton, £1,000). The Group operates an ongoing current account facility with G E Hutton that periodically goes overdrawn. Loan balances are repaid on a regular basis. Interest charged during the year in respect of this balance was £Nil (2018 - £Nil).

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

34 Related party transactions (continued)

The automotive division has an agreement with International Motors Finance Limited, an associated undertaking, in respect of finance facilities available for retail customers and motor dealers. During the year sales (before the deduction of dealer sales incentives and rebates) of £142,148,000 (2018 - £151,273,000) were made by the Group to this undertaking and interest of £831,000 (2018 - £825,000) was charged to the Group in respect of vehicle stock finance.

During the year sales of £94k (2018 - £85k) were made to individuals related to AM Edmiston, a director of the Company. £Nil (2018 - £15k) amounts were outstanding at the year end.

Note 17 to the consolidated financial statements shows amounts loaned to International Motors Finance Limited under 'Loans to associated undertakings'. The balance due from International Motors Finance Limited at 31 December 2019 was £1,000,000 (2018 - £1,234,000).

Other related party transactions

An amount of £Nil (2018 - £Nil) was due from Maplestone LLP, a Company whose directors are close relatives of Lord Edmiston. Interest of £Nil (2018 - £14,000) was charged to Maplestone Properties Limited.

The Company owns 75% of the allotted share capital of I.M. Group (Ensleigh) Limited. In 2018 Ensleigh Property Management Company Limited, a wholly owned subsidiary of the entity acquired 25% of share capital of I.M. Group (Ensleigh) Limited. I.M. Group Limited indirectly owns 100% share capital of I.M. (Group) Ensleigh Limited. During the year ended 31 December 2019 the Company entered into a rolling facility agreement with I.M. Group (Ensleigh) Limited with a maximum value of £12,000,000. At 31 December 2019 total amounts owed to the Group by I.M. Group (Ensleigh) Limited was £6,190,000 (2018 - £6,389,000). In 2019, interest charged on the amounts owed was £197,000 (2018 - £Nil).

In the prior year, the Group loaned funds of £20,000,000 to Spitfire Properties LLP under a rolling facility agreement. Included within debtors due within one year are amounts owed by Spitfire Properties LLP of £Nil (2018 - £20,189,000) which includes £Nil (2018 - £189,000) of accrued interest. Interest of £358,000 (2018 - £750,000) was charged on the loan during the period. The loan was fully paid in 2019.

Key management of the Company are considered to be the directors. The total remuneration of the directors is covered in note 8.

35 Post balance sheet events

COVID – 19

In December 2019 cases of a novel corona virus ("COVID-19") were reported to the World Health Organization ("WHO") and subsequently spread worldwide. The WHO announced COVID-19 as a global health emergency on January 30, 2020, which prompted national governments to begin putting actions in place to slow the spread of COVID-19 worldwide. On March 11, 2020, the WHO declared COVID-19 a global pandemic and recommended containment and mitigation measures. Given that the declaration of a global health emergency did not happen until January 2020 the impacts of COVID-19 are considered by the directors (as supported by relevant accounting authorities) as being non-adjusting events for the Company.

Further details of the impact of COVID-19 on the Group is set out in Note 1 of the Accounting Policies to these financial statements.

Property division

In January 2020 the Group completed on the purchase of an industrial development for a consideration of £16,479,000. The Group increased an existing credit facility by £9,000,000 to finance this acquisition.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

35 Post balance sheet events (continued)

In February 2020, the Group completed on the sale of 2 investment properties, consideration in respect of these properties was £2,100,000 and £2,653,400. Bank funding of £2,823,000 was repaid as a result of this sale.

A further block of investment properties were sold during February 2020 for consideration of £11,175,000. Bank funding of £6,114,000 was repaid as a result of this sale.

In February 2020 the Group entered into a new credit facility of £21,300,000 and in March 2020 a further credit facility of £6,000,000 was entered into. Both facilities were secured with existing and previously unencumbered investment properties owned by the Group.

During March 2020 the Group also refinanced the Mell Square property with a new £28m 3 year facility, replacing the existing short term facility. This was considered a prudent measure in light of the potential impact of the COVID-19 related government actions on the retail sector.

Additional credit facilities of £2,975,000 and £15,782,000 were entered into in relation to the by US subsidiaries in relation to development projects in the Chicago area.

There have been no other significant events affecting the Company since the year end.

36 Ultimate parent company and ultimate controlling party

The immediate parent undertaking and controlling entity is IMG Jersey Holdings Limited, a Company incorporated in Jersey. The largest and only Group of publicly available financial statements in which the results of the Company are consolidated is that prepared by I.M. Group Limited.

Consolidated financial statements for I.M. Group Limited are available to the public from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate controlling party is Lord Edmiston, who owns 100% of the issued share capital of IMG Jersey Holdings Limited.

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

37	Cash generated from operations	2019	2018
		£'000	£'000
	Profit for the financial year	35,085	58,803
	Adjustments for:		
	Corporation tax expense recognised in profit or loss	4,664	18,544
	Gain on disposal of tangible fixed assets	(4,721)	(885)
	Fair value gains / (losses) on foreign exchange contracts	645	(2,421)
	Fair value gains on investment properties and properties under construction	(2,943)	(7,739)
	Amortisation, write-off and impairment of intangible assets	1,090	1,089
	Depreciation of tangible fixed assets	3,050	2,446
	Defined benefit pension contributions	(847)	(767)
	Share of profit from associates	(1,613)	(1,671)
	Exchange adjustments	2,273	(2,330)
	Rent smoothing adjustment for lease incentives	(1,427)	-
	Impairment charge / (credit) of investments	162	(81)
	Loss / (profit) on sale of investment properties and properties under construction	6,299	(6,624)
	Interest received	(3,825)	(5,318)
	Interest payable	38,042	24,029
	Increase in provisions	1,027	4,492
	Operating cash flows before movements in working capital	76,961	81,567
	(Increase) / decrease in stock	(54,738)	32,252
	Increase in trade and other debtors	(64,518)	(64,076)
	Increase in trade and other creditors	14,590	18,897
		(104,666)	(12,927)
	Cash (used in) / generated from operations	(27,705)	68,640

I.M. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

37 Cash generated from operations (continued)

Net debt reconciliation

	At 1 January 2019	Cash flow	Other non- cash changes	At 31 December 2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	196,219	(74,408)	(928)	120,883
Bank loans	(438,927)	(37,353)	2,168	(474,112)
Other loans	(263,889)	17,347	(58,015)	(304,557)
Interest rate derivative financial instruments	(1,776)	-	(7,277)	(9,053)
Total	(508,373)	(94,414)	(64,052)	(666,839)

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 represents the movement in the fair value of the derivative.

Other loans includes the outstanding consideration for the acquisition of IMP Investments Limited (Note 34).

There are no restrictions over the use of the cash and cash equivalents balances which comprise cash at bank and in hand.