



# IM PROPERTIES PLC

Report & Financial Statements  
For The Year Ended 31 December 2018







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### Directors

Lord Edmiston · G E Hutton · T J Wooldridge · A G Clarke

### Secretary

A G Clarke

### Registered office

I.M. House, South Drive, Coleshill, Birmingham, B46 1DF

### Company registration number

3456022

### Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, RH6 0PA

# 362

MILLION POUNDS

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ASSETS

UNDER DEVELOPMENT



# Strategic Report

The directors present the Strategic Report and financial statements for the year ended 31 December 2018.

## Review of the business

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

Following a strong performance in 2017, the IM Properties Plc Group has continued to outperform the market, achieving a profit before tax of £46m for 2018. The primary key performance indicator for the business is 'total return on capital employed before tax' which for the year under review was 10.3%. This compares favourably with the MSCI IPD UK index which shows a 6% total return for 2018.

The diversified structure of the business provides a stable base with strong positive cash generation from the core investment portfolio. 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.

Despite a challenging year in the property investment market, our commercial investment division had another strong year, generating a profit of £10m for 2018. Rental income for the year fell to £31m following further property sales with the proceeds re-invested in new commercial property assets held by the IMP Investment Group, which is under common control but is not part of the IM Properties Plc Group.

Management assess the portfolio balance and performance across the IMP Investment Group and the IM Properties Plc Groups on an aggregated basis. The balance of the aggregated 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.

The commercial development division has seen turnover increase from £11.3m last year to £98m in 2018 generating a profit of £36m as projects at early stages in 2017 have progressed through

2018. 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.

Spitfire Bespoke Homes, our housebuilding division, reported a small increase in turnover to £88m. However, build issues on a number of sites have resulted in Spitfire's contribution to group profits falling to £1m for 2018. At the end of 2018 the group managing director of this division left the business, and with a new leadership team in place working to deliver an outstanding customer experience together with a focus on design and delivery, we are confident that Spitfire will show an improved performance in the coming years.

Even with the political uncertainties throughout 2018, the fundamentals underpinning the UK private housing market have remained strong in the geographical locations in which Spitfire operates. The UK economy has continued to perform well, with record low levels of unemployment and a gradual uptick in wage growth rates. Despite continued political support at the national level to increase the housing stock through help to buy schemes, and national planning policies, supply is unlikely to catch up with demand in the foreseeable future.

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 95% occupancy rates now achieved on the residential units and commercial leasing approaching 80% we are confident that the exceptional performance shown by some of the initial retail and leisure operators will be underpinned as the centre moves towards stabilisation. Following this success, the US division is now onsite with two new developments in the Chicago area.

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



**I.M. PROPERTIES PLC**  
**REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**Monitoring and managing risk**

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

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

| Principal risks   | Area of impact   | Management approach  |
|---|--|--|
| <b>Property investment risks</b>  |  |  |
| <i>Cyclical property market movements</i><br><br><i>Poor decision making on whether to buy, sell or hold assets</i> | Profitability<br>Net asset value<br>Financial covenants<br>Liquidity | Senior management has extensive experience and detailed understanding of our core markets. This expertise is supplemented by market leading external advisers and financial models used to inform capital allocation decision-making.  |
| <i>Weak asset management</i>  | Cash flow<br>Void levels<br>Net asset value<br>Profitability         | Our experienced and proactive team of property asset managers work closely with external advisers and asset managers where appropriate. All property assets are reviewed regularly and we focus on building effective relationships with our tenants to ensure changing needs are identified and met.  |
| <i>Changes in the level of occupier demand or supply of space</i>   | Profitability<br>Net asset value<br>Liquidity<br>Void levels         | The group holds a diversified property portfolio across the United Kingdom and the United States of America. Our tenant base is well diversified, and investment and development teams maintain a good awareness of the supply pipeline in our core areas.   |
| <b>Financial risks</b>  |  |  |
| <i>Exposure to foreign currency</i>   | Net asset value<br>Profitability                                     | Property assets are funded locally where possible in matching currency. The group utilises derivative financial instruments in order to achieve the foreign exchange hedging levels targeted by the Board. Levels of unhedged currency exposure are monitored on an ongoing basis.   |
| <i>Adverse interest rate movements</i>  | Profitability<br>Liquidity<br>Banking covenants                      | The group's exposure to adverse interest rate movements is largely mitigated through the use of derivative instruments, including interest rate swaps and caps. Hedging levels are monitored on an ongoing basis.  |
| <i>Covenant breach</i>  | Profitability<br>Liquidity   | Financial covenants are monitored by the Finance Director 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.   |
| <i>Unavailability of funding at acceptable pricing</i>  | Profitability<br>Liquidity<br>Ability to acquire or develop          | The group has strong relationships with a range of banks, which reduces credit and liquidity risks. Significant cash reserves are held within the centralised treasury function of the wider IM Group, which are accessible to the IM Properties Plc Group as required. The exposure on re-financing of debt is mitigated through a broad spread of debt maturities. |



**I.M. PROPERTIES PLC**  
**REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

| Risk   | Area of impact   | Management approach  |
|--|--|--|
| <b>Development risks</b>   |  |  |
| <i>Adverse changes in occupational or investment markets</i>                                       | Profitability<br>Net asset value<br>Exit timing  | Most developments are undertaken once an appropriate level of pre-lets are secured. Speculative projects are undertaken where the Board are comfortable that a window exists in the market to secure sufficient return to mitigate the increased level of risk.  |
| <i>Failure to secure appropriate planning permissions</i>  | Profitability<br>Liquidity<br>Reputation   | The development team engage extensively with all stakeholders prior to any planning application to minimise the risk of unsuccessful applications. Our track record demonstrates the success of this approach in both the commercial and residential sectors.  |
| <i>Contractor availability and potential failure</i>   | Delay in development programme<br>Profitability  | On commercial developments only leading contractors are engaged and due-diligence is undertaken for any significant contracts to assess the financial viability of the contractor. The residential development division has established a network of trusted sub-contractors and consultants with a track record of delivering the high quality build required. We continue to develop our relationships with third parties to support the growth of the business and to avoid overreliance on any one supplier. |
| <i>A major health and safety incident</i>  | Serious injury or death to an employee, member of the public, contractor or any other person.<br>Reputation<br>Profitability | The group retains a policy that health and safety arrangements are always a priority as we have no tolerance of health and safety risk exposure. Our development teams use experienced and qualified HSE advisors together with specialists to provide training where appropriate. We have defined business procedures in place to ensure active management of all health and safety matters, and there is regular reporting of performance in this area to executive directors and the Board.                   |
| <b>Environmental risks</b>   |  |  |
| <i>Increase in building regulation and obsolescence, climate change and increased energy costs</i> | Profitability<br>Void levels<br>Net asset value  | All emerging regulatory changes are assessed for potential impacts on group property assets. Fit-out and refurbishment schemes are benchmarked against industry standards and investment in energy efficient plant and building mounted renewable energy systems is designed in where appropriate.   |



STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018  
(CONTINUED)

| Risk                                | Area of impact   | Management approach   |
|-------------------------------------|--|---|
| <b>Political and economic risks</b> |  |   |
| <i>Break-up of the Euro</i>         | Profitability<br>Net asset values<br>Liquidity                     | Euro-denominated liquid resources are kept to a minimum. Euro assets are hedged, primarily with euro denominated derivative instruments.  |
| <i>Economic downturn</i>            | Profitability<br>Net asset value<br>Liquidity<br>Banking covenants | The group holds a diversified property portfolio across the United Kingdom and the United States of America. Significant cash reserves are maintained within the IM Properties Plc Group and at the parent company level where the treasury function is managed on a group basis.                   |
| <i>UK exit from the EU</i>          | Net asset value<br>Liquidity<br>Banking covenants<br>Profitability | The group has hedges in place to protect the value of its overseas investments against a sudden movement in Sterling. Significant cash reserves are maintained across the group together with medium to long term banking facilities, to ensure sufficient liquidity is available across the group. |

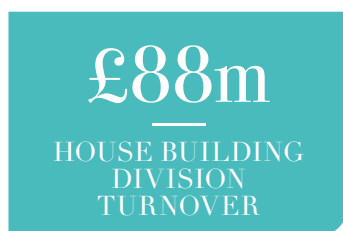
**Future plans**

Looking forward, the directors believe that the group is in a strong position, with substantial cash reserves of £101.4m at the year end, and remains well positioned to take advantage of opportunities in the market as and when they arise.

By order of the board

**A G Clarke, Secretary**

28 June 2019



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MILLION POUNDS

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PROFIT GENERATED FROM  
COMMERCIAL DEVELOPMENT

# Directors' Report

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The directors present their report and financial statements for the year ended 31 December 2018.

## Directors

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

- 1 Lord Edmiston
- 2 G E Hutton
- 3 T J Wooldridge
- 4 A G Clarke

## Results and dividends

The results of the group for the year are set out on page 15 and show a profit for the year of £35.4m (2017 - £58.6m). The performance of the group is detailed within the strategic report on pages 3 - 7. During the year, there was an interim dividend paid of £60.0m (2017 - £71.0m). The directors do not recommend the payment of a final dividend (2017 - £Nil).

## Qualifying third party indemnity provisions

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

## Matters of strategic importance

Information of this nature is not shown within the Directors' Report as it is instead included within the Strategic Report on pages 3 - 7 under s414c(11).

## Post balance sheet events

Details of the events that have occurred since 31 December 2018 are set out in note 31 to the financial statements.

## Auditor

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

## Statement of disclosure to auditor

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

By order of the board

**A G Clarke, Secretary**

28 June 2019





# Directors' Report

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## Directors' Responsibilities Statement

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

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

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

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



# Independent Auditor's Report to the Members of I.M. Properties Plc

## Opinion

We have audited the financial statements of IM Properties PLC ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 the 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.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.



### Opinion 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 Director's 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.

### 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 at 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 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 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.

### John Everingham (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor,  
Gatwick, United Kingdom.

28 June 2019

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

101.4

MILLION POUNDS

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CASH RESERVES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

## Consolidated Statement of Comprehensive Income

|   | Notes | 2018<br>£'000  | 2017<br>£'000 |
|---|-------|----------------|---------------|
| Turnover  | 3     | 219,633        | 142,401       |
| Cost of sales   |       | (159,481)      | (99,570)      |
| <b>Gross profit</b>                                     |       | <b>60,152</b>  | 42,831        |
| Administrative expenses                                 |       | (12,921)       | (14,774)      |
| Gains from changes in fair value of investment property |       | 7,078          | 13,418        |
| Other operating income                                  | 4     | 3,878          | 36,730        |
| <b>Operating profit</b>                                 | 5     | <b>58,187</b>  | 78,205        |
| Interest receivable and similar income                  | 9     | 2,946          | 4,125         |
| Interest payable and similar charges                    | 10    | (15,175)       | (18,681)      |
| <b>Profit before taxation</b>                           |       | <b>45,958</b>  | 63,649        |
| Taxation  | 11    | (10,565)       | (5,096)       |
| <b>Profit after taxation</b>                            |       | <b>35,393</b>  | 58,553        |
| <b>Other comprehensive income net of taxation</b>       |       |                |               |
| Currency translation differences                        |       | (2,051)        | (1,855)       |
| <b>Other comprehensive income for the year</b>          |       | <b>(2,051)</b> | (1,855)       |
| <b>Total comprehensive income for the year</b>          |       | <b>33,342</b>  | 56,698        |

The notes on pages 25 to 54 form part of these financial statements.





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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

## Consolidated Statement of Comprehensive Income (continued)

| Notes  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Profit/(loss) for the financial year attributable to:</b>           |               |               |
| Owners of the parent   | 35,420        | 58,591        |
| Non-controlling interests  | (27)          | (38)          |
| <b>Profit for the financial year</b>                                   | <b>35,393</b> | 58,553        |
| <b>Total comprehensive income/(loss) for the year attributable to:</b> |               |               |
| Owners of the parent company   | 33,321        | 56,736        |
| Non-controlling interests  | 21            | (38)          |
| <b>Total comprehensive income for the financial year</b>               | <b>33,342</b> | 56,698        |

The notes on pages 25 to 54 form part of these financial statements.

## Statements of Financial Position

| Company registration number 3456022                     | Notes | 2018<br>£'000  | Group<br>2017<br>£'000 | 2018<br>£'000 | (As restated)<br>Company<br>2017<br>£'000 |
|---|-------|----------------|------------------------|---------------|---|
| <b>Fixed assets</b>                                     |       |                |                        |               |   |
| Other tangible assets                                   | 13    | 172            | 177                    | 2             | 7   |
| Investment properties                                   | 14    | 586,188        | 543,043                | -             | -   |
| Investments   | 15    | -              | -                      | 326,311       | 312,180                                   |
|   |       | <b>586,360</b> | <b>543,220</b>         | 326,313       | 312,187                                   |
| <b>Current assets</b>                                   |       |                |                        |               |   |
| Stocks  | 17    | 167,890        | 154,024                | -             | -   |
| Debtors   | 18    | 61,835         | 146,810                | 351,043       | 402,157                                   |
| Cash at bank and in hand                                |       | 101,405        | 88,990                 | 57,233        | 59,033                                    |
|   |       | <b>331,130</b> | <b>389,824</b>         | 408,276       | 461,190                                   |
| Creditors: amounts falling due within one year          | 19    | (294,212)      | (253,574)              | (728,393)     | (736,557)                                 |
| <b>Net current assets/(liabilities)</b>                 |       | <b>36,918</b>  | <b>136,250</b>         | (320,117)     | (275,367)                                 |
| <b>Total assets less current liabilities</b>            |       | <b>623,278</b> | <b>679,470</b>         | 6,196         | 36,820                                    |
| Creditors: Amounts falling due after more than one year | 20    | (214,040)      | (243,206)              | -             | (20,000)                                  |
| Provisions for liabilities                              | 23    | (9,377)        | (9,745)                | -             | -   |
| <b>Net assets</b>                                       |       | <b>399,861</b> | <b>426,519</b>         | 6,196         | 16,820                                    |

The notes on pages 25 to 54 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2018

## Statements of Financial Position (continued)

| Company registration number 3456022                            | Notes | 2018<br>£'000  | Group<br>2017<br>£'000 | 2018<br>£'000 | Company<br>2017<br>£'000 |
|--|-------|----------------|------------------------|---------------|--------------------------|
| <b>Capital and reserves</b>                                    |       |                |                        |               |                          |
| Called up share capital  | 27    | 58             | 58                     | 58            | 58                       |
| Profit and loss reserves                                       | 27    | 399,710        | 426,389                | 6,138         | 16,762                   |
| Other reserve  | 27    | 3              | 3                      | -             | -                        |
| <b>Equity attributable to owners of the parent company</b>     |       | <b>399,771</b> | <b>426,450</b>         | 6,196         | 16,820                   |
| Capital and reserves attributable to non-controlling interests |       | 90             | 69                     | -             | -                        |
| <b>Total equity</b>  |       | <b>399,861</b> | <b>426,519</b>         | 6,196         | 16,820                   |

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The company's profit and total comprehensive income for the year was £49.4m (2017 - profit £75.9m).

The financial statements were approved by the board of directors and authorised for issue on 28 June 2019 and are signed on its behalf by:

**G E Hutton, Director**

The notes on pages 25 to 54 form part of these financial statements.



## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

|  | Notes | Share<br>capital<br>£'000 | Profit<br>and loss<br>reserves<br>£'000 | Other<br>reserve<br>£'000 | Attributable<br>to:<br>Controlling<br>interests<br>£'000 | Attributable<br>to:<br>Non-controlling<br>interests<br>£'000 | Total<br>equity<br>£'000 |
|--|-------|---------------------------|---|---------------------------|--|--|--------------------------|
| Balance at 1 January 2018  |       | 58                        | 426,389                                 | 3                         | 426,450  | 69   | 426,519                  |
| Profit for the year  |       | -                         | 35,420                                  | -                         | 35,420   | (27)   | 35,393                   |
| Other comprehensive income, net of taxation:<br>Currency translation differences<br>on overseas subsidiaries |       | -                         | (2,099)                                 | -                         | (2,099)  | 48   | (2,051)                  |
| <b>Total comprehensive income for the year</b>   |       | -                         | <b>33,321</b>                           | -                         | <b>33,321</b>  | <b>21</b>  | <b>33,342</b>            |
| Dividends  | 12    | -                         | (60,000)                                | -                         | (60,000)   | -  | (60,000)                 |
| <b>Balance at 31 December 2018</b>   |       | <b>58</b>                 | <b>399,710</b>                          | <b>3</b>                  | <b>399,771</b>   | <b>90</b>  | <b>399,861</b>           |

The notes on pages 25 to 54 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

## Consolidated Statement of Changes in Equity (continued) for the Year Ended 31 December 2018

|   | Notes | Share capital<br>£'000 | Profit and loss reserves<br>£'000 | Other reserve<br>£'000 | Attributable to:<br>Controlling interests<br>£'000 | Attributable to:<br>Non-controlling interests<br>£'000 | Total equity<br>£'000 |
|---|-------|------------------------|-----------------------------------|------------------------|--|--|-----------------------|
| Balance at 1 January 2017   |       | 58                     | 440,653                           | 3                      | 440,714  | 407  | 441,121               |
| Profit for the year   |       | -                      | 58,591                            | -                      | 58,591   | (38)   | 58,553                |
| Other comprehensive income, net of taxation:<br>Currency translation differences on overseas subsidiaries |       | -                      | (1,855)                           | -                      | (1,855)  | -  | (1,855)               |
| <b>Total comprehensive income for the year</b>  |       | -                      | <b>56,736</b>                     | -                      | <b>56,736</b>                                      | <b>(38)</b>  | <b>56,698</b>         |
| Dividends   | 12    | -                      | (71,000)                          | -                      | (71,000)   | -  | (71,000)              |
| Distribution to non-controlling interest  |       | -                      | -                                 | -                      | -  | (373)  | (373)                 |
| Currency translation differences on minority interest   |       | -                      | -                                 | -                      | -  | 73   | 73                    |
| <b>Balance at 31 December 2017</b>  |       | <b>58</b>              | <b>426,389</b>                    | <b>3</b>               | <b>426,450</b>                                     | <b>69</b>  | <b>426,519</b>        |

The notes on pages 25 to 54 form part of these financial statements.

## Company Statement of Changes in Equity for the Year Ended 31 December 2018

|  | Share<br>capital<br>£'000 | Profit and loss<br>reserves<br>£'000 | Total<br>£'000 |
|--|---------------------------|--------------------------------------|----------------|
| Balance at 1 January 2017                          | 58                        | 11,845                               | 11,903         |
| Profit and total comprehensive income for the year | -                         | 75,917                               | 75,917         |
| Dividend   | -                         | (71,000)                             | (71,000)       |
| <b>Balance at 31 December 2017</b>                 | <b>58</b>                 | <b>16,762</b>                        | <b>16,820</b>  |
| Balance at 1 January 2018                          | 58                        | 16,762                               | 16,820         |
| Profit and total comprehensive income for the year | -                         | 49,376                               | 49,376         |
| Dividend   | -                         | (60,000)                             | (60,000)       |
| <b>Balance at 31 December 2018</b>                 | <b>58</b>                 | <b>6,138</b>                         | <b>6,196</b>   |

The notes on pages 25 to 54 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

|   | Notes | 2018<br>£'000    | 2017<br>£'000 |
|---|-------|------------------|---------------|
| <b>Cash flows from operating activities</b>           |       |                  |               |
| Cash generated from operations                        | 30    | 57,531           | 93,236        |
| Taxation paid   |       | (9,849)          | (22,421)      |
| <b>Net cash from operating activities</b>             |       | <b>47,682</b>    | 70,815        |
| <b>Investing activities</b>                           |       |                  |               |
| Purchase of investment properties                     |       | (81,381)         | (38,626)      |
| Purchase of other tangible fixed assets               |       | (100)            | (81)          |
| Proceeds on disposal of investment properties         |       | 156,126          | 166,447       |
| Interest received                                     |       | 379              | 4,926         |
| Investment in Joint Venture                           |       | -                | (40,091)      |
| <b>Net cash generated from investing activities</b>   |       | <b>75,024</b>    | 92,575        |
| <b>Financing activities</b>                           |       |                  |               |
| Proceeds from borrowings                              |       | 253,379          | 124,344       |
| Repayment of borrowings                               |       | (283,896)        | (194,950)     |
| Interest paid   |       | (16,223)         | (20,661)      |
| Settlement of derivative financial instruments        |       | (3,551)          | 928           |
| Capital distribution to non-controlling interests     |       | -                | (373)         |
| Cash dividends paid                                   |       | (60,000)         | (71,000)      |
| <b>Net cash utilised in financing activities</b>      |       | <b>(110,291)</b> | (161,712)     |
| <b>Net increase in cash and cash equivalents</b>      |       | <b>12,415</b>    | 1,678         |
| <b>Cash and cash equivalents at beginning of year</b> |       | <b>88,990</b>    | 87,312        |
| <b>Cash and cash equivalents at end of year</b>       |       | <b>101,405</b>   | 88,990        |

The notes on pages 25 to 54 form part of these financial statements.





# Notes to the Financial Statements

## 1 Accounting policies

### Company information

I.M. Properties Plc ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is IM House, South Drive, Coleshill, Birmingham, United Kingdom, B46 1DF.

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

### Accounting convention

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

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

### Basis of consolidation

The consolidated financial statements incorporate those of I.M. Properties Plc and all its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2018.

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

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

### Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the group and the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Turnover

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

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

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

### 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 statement of comprehensive income (administrative expenses) over the directors' estimate of its useful economic life of 20 years.

### **Other tangible fixed assets**

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

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

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

### **Investment properties**

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

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

### **Investment properties in the course of construction**

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

### **Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each

reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Statement of Comprehensive Income.

### **Impairment of fixed assets**

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

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

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

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

### **Stocks**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 over the period of the contract.

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

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

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

### **Cash and cash equivalents**

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

### **Financial instruments**

#### *(i) Non-derivative financial assets*

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

Trade and inter group receivables - these are measured on initial recognition at transaction price and are subsequently measured

at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that an asset is impaired.

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

#### *(ii) Non-derivative financial liabilities*

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

#### *(iii) Derivative financial instruments*

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

#### *(iv) Hedge accounting – net investment in foreign operations*

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

### **Finance costs**

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



### **Equity instruments and dividends**

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

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

### **Taxation**

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

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

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

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

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

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

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

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

### **Employee benefits**

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

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

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

### **Retirement benefits**

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

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

### **Leases**

All leases are classified as operating leases.

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

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



### **Foreign exchange**

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

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

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

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

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

### **Reduced disclosures**

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

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details

of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and

- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

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

## **2 Critical accounting estimates and judgements**

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

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

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

### **Net realisable value of stocks**

The Group has ongoing procedures for assessing the carrying value of work in progress and identifying where this is in excess of net realisable value. The estimates and judgements for both revenue and costs for each property under development were based on information available at, and pertaining to, 31 December 2018. Any subsequent adverse changes in market conditions may result in additional provisions being required and margins that have been assumed in the current year not being achieved.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**Valuation of investment properties**

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

Further information in relation to the valuation of the group's investment property is disclosed in note 14.



**I.M. PROPERTIES PLC**  
**REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**3 Turnover**

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

|                                     | 2018<br>£'000  | 2017<br>£'000 |
|-------------------------------------|----------------|---------------|
| <b>Class of business</b>            |                |               |
| Rental and other income             | 30,924         | 33,128        |
| Commercial trading and development  | 97,743         | 11,340        |
| Residential trading and development | 90,966         | 97,933        |
|                                     | <b>219,633</b> | 142,401       |

Construction contracts are accounted for in accordance with the accounting policies set out on page 27.

|   | 2018<br>£'000  | 2017<br>£'000 |
|---|----------------|---------------|
| <b>Turnover analysed by geographical market</b> |                |               |
| United Kingdom                                  | 206,221        | 134,652       |
| Europe  | 503            | 1,772         |
| Rest of the World                               | 12,909         | 5,977         |
|   | <b>219,633</b> | 142,401       |

**4 Other operating income**

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Profit on sale of investment properties | 2,291         | 23,298        |
| Management charges and other income     | 1,587         | 13,432        |
|   | <b>3,878</b>  | 36,730        |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

| <b>5 Operating profit</b>  | <b>2018<br/>£'000</b> | <b>2017<br/>£'000</b> |
|--|-----------------------|-----------------------|
| This is arrived at after charging/(crediting):   |                       |                       |
| Fair value gains on investment properties and investment properties under construction | (7,078)               | (13,418)              |
| Exchange gains   | (29)                  | (660)                 |
| Permanent diminution in value of property held as trading stock                        | -                     | 800                   |
| Depreciation of owned tangible fixed assets  | 105                   | 107                   |
| Profit on disposal of investment properties  | (2,291)               | (23,298)              |
| Management charges and other income  | (1,587)               | (13,432)              |
| Amortisation and write off of intangible assets  | -                     | 165                   |
| Cost of stocks recognised as an expense  | 127,440               | 84,864                |
| Operating lease expense  | 2,297                 | 2,297                 |

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

| <b>6 Auditor's remuneration</b>                         | <b>2018<br/>£'000</b> | <b>2017<br/>£'000</b> |
|---|-----------------------|-----------------------|
| Fees payable to the company's auditor                   |                       |                       |
| <b>For audit services:</b>                              |                       |                       |
| Audit of the group's and company's financial statements | 20                    | 20                    |
| Audit of subsidiary companies' financial statements     | 185                   | 198                   |
| <b>For other services:</b>                              |                       |                       |
| Accountancy services                                    | 20                    | 20                    |
|   | <b>225</b>            | <b>238</b>            |

**I.M. PROPERTIES PLC**  
**REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**7 Employees**

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

|                     | 2018<br>No. | 2017<br>No. |
|---------------------|-------------|-------------|
| Property management | 141         | 119         |

Of the above 141 (2017 - 119) persons employed by the group, 42 (2017 - 35) were employed by the company.

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
| Their aggregate remuneration comprised: | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Wages and salaries                      | 10,566        | 8,567         | 3,640         | 3,165         |
| Social security costs                   | 1,259         | 1,036         | 493           | 421           |
| Pension costs                           | 617           | 504           | 203           | 173           |
|   | <b>12,442</b> | 10,107        | <b>4,336</b>  | 3,759         |

**8 Directors' remuneration**

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Salaries and taxable benefits                                | 393           | 420           |
| Company contributions to defined contribution pension scheme | -             | -             |
|  | <b>393</b>    | 420           |

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2017 - 1).  
Remuneration disclosed above includes the following amounts paid to the highest paid director:

|                               | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------|---------------|---------------|
| Salaries and taxable benefits | 236           | 243           |

**Compensation of key management personnel**

The total compensation of the employees, who are considered to be the key management personnel of the Group, was £1,078,003 (2017 - £1,221,147). Key management personnel are the senior management team having authority and responsibility for planning, directing and controlling the activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**9 Interest receivable and similar income**

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Interest receivable                                      | 374           | 1,207         |
| Fair value movements on derivative financial instruments | 2,572         | 2,918         |
| <b>Total income</b>                                      | <b>2,946</b>  | 4,125         |

**10 Interest payable and similar charges**

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Interest on bank overdrafts and loans  | 8,476         | 8,241         |
| Interest on group loans  | 351           | 1,322         |
| Fair value movements on derivative financial instruments (including swap payments) | 1,838         | 3,954         |
| Interest on other loans  | 4,510         | 5,164         |
| <b>Total finance costs</b>   | <b>15,175</b> | 18,681        |

**I.M. PROPERTIES PLC**  
**REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

| <b>11 Taxation</b>   | <b>2018</b><br>£'000 | <b>2017</b><br>£'000 |
|--|----------------------|----------------------|
| <b>Current tax</b>   |                      |                      |
| UK corporation tax on profits for the current year               | 86                   | -                    |
| Adjustments in respect of prior periods                          | (518)                | (4,722)              |
| Foreign current tax on profits                                   | 620                  | 15,467               |
| Adjustment in respect of prior periods in respect of foreign tax | 1,261                | -                    |
| Group relief payable   | 8,711                | 5,757                |
| <b>Total current tax</b>   | <b>10,160</b>        | 16,502               |
| <b>Deferred tax</b>  |                      |                      |
| Origination and reversal of timing differences                   | 81                   | (13,586)             |
| Adjustments in respect of prior periods                          | 324                  | 2,180                |
| <b>Total deferred tax</b>  | <b>405</b>           | (11,406)             |
| <b>Total tax charge</b>  | <b>10,565</b>        | 5,096                |

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK applied to profit before tax.

The differences are explained below:

|  | <b>2018</b><br>£'000 | <b>2017</b><br>£'000 |
|--|----------------------|----------------------|
| Profit before taxation   | 45,958               | 63,649               |
| Expected tax charge based on a corporation tax rate of 19% (2017 - 19.25%)   | 8,732                | 12,252               |
| Tax effect of expenses that are not deductible in determining taxable profit | 3,175                | 323                  |
| Tax effect of income not taxable in determining taxable profit               | (1,373)              | (22)                 |
| Movement in indexation allowance   | (1,217)              | (3,838)              |
| Profit on disposal of investment properties in excess of capital profits     | (2,894)              | (108)                |
| Losses charged to OCI  | -                    | (202)                |
| Adjustments in respect of prior years - current tax                          | 743                  | (4,722)              |
| Adjustments in respect of prior years - deferred tax                         | 324                  | 2,180                |
| Difference in foreign tax rates  | 1,693                | 47                   |
| Deferred tax assets previously not recognised                                | (170)                | (87)                 |
| Rate adjustments to opening and closing deferred tax                         | 137                  | (37)                 |
| Other movements  | 1,415                | (690)                |
| <b>Tax expense for the year</b>  | <b>10,565</b>        | 5,096                |

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

| <b>12 Dividends</b>  | <b>2018</b><br>£'000  | <b>2017</b><br>£'000    |
|--|-----------------------|-------------------------|
| <b>Ordinary shares</b>   |                       |                         |
| An interim dividend of £1,034.30 (2017 - £1,223.93) per share was paid during the year | <b>60,000</b>         | 71,000                  |
| <b>13 Other tangible fixed assets</b>  |                       |                         |
| <b>Office equipment</b>  | <b>Group</b><br>£'000 | <b>Company</b><br>£'000 |
| <b>Cost or valuation</b>   |                       |                         |
| At 1 January 2018  | 396                   | 38                      |
| Additions  | 100                   | -                       |
| At 31 December 2018  | <b>496</b>            | <b>38</b>               |
| <b>Depreciation and impairment</b>   |                       |                         |
| At 1 January 2018  | 219                   | 31                      |
| Depreciation charged in the year   | 105                   | 5                       |
| At 31 December 2018  | <b>324</b>            | <b>36</b>               |
| <b>Carrying amount</b>   |                       |                         |
| At 31 December 2017  | 177                   | 7                       |
| At 31 December 2018  | <b>172</b>            | <b>2</b>                |



**NOTES TO THE FINANCIAL STATEMENTS  
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**14 Investment properties**

| Group                          | Freehold<br>£'000 | Long leasehold<br>£'000 | Properties under<br>construction<br>£'000 | Total<br>£'000 |
|--------------------------------|-------------------|-------------------------|---|----------------|
| <b>Fair value</b>              |                   |                         |   |                |
| At 1 January 2018              | 309,507           | 52,291                  | 181,245                                   | 543,043        |
| Additions                      | 24,187            | 199                     | 56,995                                    | 81,381         |
| Disposals                      | (43,972)          | -                       | -   | (43,972)       |
| Exchange translation           | 3,520             | -                       | 6,892                                     | 10,412         |
| Transfer                       | 42,079            | 4,007                   | (46,086)                                  | -              |
| Appropriation to trading stock | -                 | -                       | (11,754)                                  | (11,754)       |
| Fair value gains/(losses)      | 3,005             | (2,745)                 | 6,818                                     | 7,078          |
| <b>At 31 December 2018</b>     | <b>338,326</b>    | <b>53,752</b>           | <b>194,110</b>                            | <b>586,188</b> |

If investment properties were not stated on a fair value basis, they would have been stated at a cost of £418,959,000 (2017 - £423,763,000).

The investment properties are held at fair value as at 31 December 2018 based on internal valuations performed by suitably qualified individuals and approved by the directors.

The group's completed investment properties were valued using a yield methodology approach using unobservable inputs. The significant unobservable inputs used in the valuation at 31 December 2018 were the estimated rental value (ERV) of the property and the market capitalisation rate (yield). The ERV was determined by reference to rents currently achieved on existing leases and the rents being asked by landlords advertising properties of a similar specification in that geographical region. The market capitalisation rate was determined by reference to actual market transactions for properties in that region, with adjustments made where relevant to reflect the particular characteristics of each of the group's properties. The resulting valuations were then cross checked against the initial yields and the fair market values per square foot derived from these actual market transactions.

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

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

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**15 Fixed asset investments**

**Company**

| Subsidiary undertakings        | Shares<br>£'000 | Loan<br>£'000  | Total<br>£'000 |
|--------------------------------|-----------------|----------------|----------------|
| <b>Cost</b>                    |                 |                |                |
| At 1 January 2018              | 147,656         | 128,600        | 276,256        |
| Prior year adjustment          | 35,924          | -              | 35,924         |
| At 1 January 2018 – restated   | 183,580         | 128,600        | 312,180        |
| Additions                      | -               | 19,583         | 19,583         |
| At 31 December 2018            | <b>183,580</b>  | <b>148,183</b> | <b>331,763</b> |
| <b>Provisions</b>              |                 |                |                |
| At 1 January 2018              | -               | -              | -              |
| Impairment charge in year      | 5,452           | -              | 5,452          |
| At 31 December 2018            | <b>5,452</b>    | <b>-</b>       | <b>5,452</b>   |
| <b>Book value</b>              |                 |                |                |
| At 31 December 2017 - restated | 183,580         | 128,600        | 312,180        |
| At 31 December 2018            | <b>178,128</b>  | <b>148,183</b> | <b>326,311</b> |

The prior year adjustment relates to the intercompany transfer of shares in a fellow group undertaking in 2015 that was not reflected in the Company's accounts for that period. The effect has been to restate the balance at 1 January 2018 for fixed asset investments above and amounts due to fellow group undertakings (note 19) by the transfer value of £35,924,000.

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**16 Subsidiary undertakings**

Details of the company's subsidiaries at 31 December 2018 are as follows:

| Title   | Principal activity                  | Country of incorporation     | Class of share | % held |
|---|-------------------------------------|------------------------------|----------------|--------|
| First Residential Investment Limited*               | Holding company                     | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Properties (Europe) Holdings SARL                | Holding company                     | Luxembourg <sup>2</sup>      | Ordinary       | 100    |
| IM Properties (Germany) SARL*                       | Property investment                 | Luxembourg <sup>2</sup>      | Ordinary       | 100    |
| IM Properties (Mainaschaff) GmbH*                   | Property investment                 | Germany <sup>3</sup>         | Ordinary       | 94.8   |
| I M Property Investments (USA) LLC                  | Holding company                     | United States <sup>4</sup>   | Ordinary       | 100    |
| I M Properties (Illinois 8) LLC*                    | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |
| I M Properties (Illinois 9 ) LLC*                   | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |
| I M Properties (Illinois 7 ) LLC*                   | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |
| I M Properties (Illinois 10) LLC*                   | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |
| I M Properties (Illinois 11) LLC*                   | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |
| I M Properties (Illinois 12) LLC*                   | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |
| IM Properties (Wisconsin 1) LLC*                    | Holding company                     | United States <sup>4</sup>   | Ordinary       | 100    |
| IM Properties (Stolberg) GmbH*                      | Property investment                 | Germany <sup>3</sup>         | Ordinary       | 94     |
| IM Properties (Mainaschaff 2) GmbH*                 | Property investment                 | Germany <sup>3</sup>         | Ordinary       | 100    |
| Spitfire Properties LLP*                            | Dormant                             | England & Wales <sup>1</sup> | Member         | 87.5   |
| I.M. Properties (Mell Square) LLP*                  | Dormant                             | England & Wales <sup>1</sup> | Member         | 50     |
| I.M. Properties (Reading 2) Ltd                     | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Mell Square 1) Ltd                 | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Birmingham) Ltd                    | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Properties (Magna Park) Ltd*                     | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Properties (Swindon 2) Ltd                       | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Hams Hall) Ltd*                    | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Logistics) Ltd*                    | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Croydon) Ltd                       | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Milton Keynes) Ltd                 | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties Finance Ltd                         | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| Spitfire Bespoke Homes Ltd                          | Property development                | England & Wales <sup>1</sup> | Ordinary       | 85.7   |
| I M Properties Strategic Land Group Ltd             | Holding company                     | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Land 2 Ltd*<br>(formerly IMP Strategic Land Ltd) | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| Meaujo (Properties) PLC*                            | Property investment and development | Scotland <sup>5</sup>        | Ordinary       | 100    |
| I.M. Properties Investment Ltd*                     | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |



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**16 Subsidiary undertakings** *continued*

| Title  | Principal activity                  | Country of incorporation     | Class of share | % held |
|--|-------------------------------------|------------------------------|----------------|--------|
| I.M. Properties (Maidenhead) Ltd*                            | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (WHB) Ltd                                    | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| Yorkshire Property Holdings Ltd*                             | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Property Estates Ltd*                                   | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Property Holdings Ltd                                   | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Longton) Ltd                                | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Abbey) Ltd                                  | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I M Properties (SHB) Ltd                                     | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Hemel) Ltd                                  | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Guildford 2) Ltd                            | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (BVP 1) Ltd                                  | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (BVP 2) Ltd                                  | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties Birmingham Development Ltd                   | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Coleshill) Ltd                              | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties Development Ltd*                             | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Bristan) Ltd*                               | Property investment                 | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties Residential (RBS) Ltd*                       | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties Residential Ltd                              | Holding company                     | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Assured Growth & Exit Plc*                              | Holding company                     | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Dordon 2) Ltd*                              | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| I.M. Properties (Australia) Pty Ltd                          | Holding company                     | Australia <sup>6</sup>       | Ordinary       | 100    |
| I.M. Duporth Pty Ltd*  | Property development                | Australia <sup>6</sup>       | Ordinary       | 100    |
| IM Land 1 Ltd* (formerly IM Land Ltd)                        | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Properties (BVP 3) Ltd                                    | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Land 3 Ltd* (formerly IM Properties (Wychbold) Ltd)       | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Land 4 Ltd* (formerly IM Properties (Westwood Heath) Ltd) | Property development                | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IMP Residential 2 Ltd*                                       | Property development                | England & Wales <sup>1</sup> | Ordinary       | 75     |
| Spitfire Properties (Newhall) Ltd*                           | Property development                | England & Wales <sup>1</sup> | Ordinary       | 87.5   |
| IMP Development Management Ltd*                              | Property investment and development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| IM Properties Management LLC*                                | Property investment                 | United States <sup>4</sup>   | Ordinary       | 100    |

**NOTES TO THE FINANCIAL STATEMENTS  
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**16 Subsidiary undertakings** *continued*

| Title                               | Principal activity   | Country of incorporation     | Class of share | % held |
|-------------------------------------|----------------------|------------------------------|----------------|--------|
| USA Real Estate Funding LLC*        | Property investment  | United States <sup>4</sup>   | Ordinary       | 100    |
| IM Bradford Brookfield Venture LLC* | Property investment  | United States <sup>4</sup>   | Ordinary       | 100    |
| IM Brookfield WI LLC*               | Holding company      | United States <sup>4</sup>   | Ordinary       | 100    |
| Brookfield Corners LLC*             | Property development | United States <sup>4</sup>   | Ordinary       | 90     |
| Spitfire Homes Holdings Ltd         | Property development | England & Wales <sup>1</sup> | Ordinary       | 100    |
| Spitfire Properties 2 Ltd*          | Property development | England & Wales <sup>1</sup> | Ordinary       | 85.7   |
| Bradford IM Westmont Venture LLC*   | Property development | United States <sup>4</sup>   | Ordinary       | 50     |
| IM Kensington MG LLC*               | Property development | United States <sup>4</sup>   | Ordinary       | 50     |
| Brookfield Residential LLC*         | Property development | United States <sup>4</sup>   | Ordinary       | 90     |

**Registered Office**

1. I.M. House, South Drive, Coleshill, Birmingham B46 1DF, United Kingdom
2. 58 rue Charles Martel, L-2134 Luxembourg
3. Eschenhiemer Anlage 1, 60316 Frankfurt am Main, Germany
4. 77W. Wacker Drive, Suite 4025, Chicago, Illinois 60601, USA

5. 18 Bon Accord Square, Aberdeen AB11 6DJ, United Kingdom
6. Sunshine Coast, Level 3, 2 Emporio Place, 2 Maroochy Blvd, Maroochydore, QLD, 4558, Australia

\*held indirectly

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**17 Stocks**

|                           | Group          |               | Company       |               |
|---------------------------|----------------|---------------|---------------|---------------|
|                           | 2018<br>£'000  | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Work in progress          | 146,997        | 127,993       | -             | -             |
| Land held for development | 20,893         | 26,031        | -             | -             |
|                           | <b>167,890</b> | 154,024       | -             | -             |

**18 Debtors**

|  | Group         |               | Company        |               |
|--|---------------|---------------|----------------|---------------|
|  | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000  | 2017<br>£'000 |
| Trade debtors                              | 14,084        | 8,421         | 10,592         | 1,596         |
| Corporation tax recoverable                | -             | -             | 25,159         | 26,481        |
| Amounts due from fellow group undertakings | -             | -             | 314,089        | 371,596       |
| Derivative financial instruments (note 21) | 388           | 1,080         | -              | 661           |
| Other debtors                              | 16,719        | 9,627         | 1,002          | 951           |
| Prepayments and accrued income             | 29,140        | 120,628       | 34             | 844           |
| Deferred tax asset (note 24)               | 1,504         | 2,919         | 167            | 28            |
| Other taxes                                | -             | 4,135         | -              | -             |
|  | <b>61,835</b> | 146,810       | <b>351,043</b> | 402,157       |

Included in group prepayments and accrued income is £3,600,000 (2017 - £113,817,000) being the sale of an investment property that exchanged unconditionally in 2018 and completed in 2019 (2017 – two properties that completed in 2018).

Included within group debtors is a deferred tax asset of £1,504,000 (2017 - £2,919,000) and derivative financial instruments of £388,000 (2017 - £31,000) due after more than one year. Included within company debtors is a deferred tax asset of £167,000 (2017 - £28,000) due after more than one year.

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**19 Creditors: Amounts falling due within one year**

|  | Group          |               | Company        |                              |
|--|----------------|---------------|----------------|------------------------------|
|  | 2018<br>£'000  | 2017<br>£'000 | 2018<br>£'000  | As restated<br>2017<br>£'000 |
| Bank loans   | 51,256         | 126,021       | -              | -                            |
| Derivative financial instruments                   | 1,085          | 511           | 961            | 144                          |
| Trade creditors                                    | 12,992         | 7,815         | -              | -                            |
| Other loans  | 133,789        | 95,000        | 81,347         | 95,000                       |
| Amounts due to fellow group undertakings (note 28) | 46,679         | 4,741         | 642,643        | 640,613                      |
| Amounts due to related parties                     | 2,384          | -             | 2,384          | -                            |
| Corporation tax                                    | 3,495          | 3,184         | -              | -                            |
| Other creditors                                    | 12,320         | 3,139         | 699            | 232                          |
| Accruals and deferred income                       | 25,022         | 13,163        | 357            | 568                          |
| VAT payable  | 5,190          | -             | 2              | -                            |
|  | <b>294,212</b> | 253,574       | <b>728,393</b> | 736,557                      |

The 2017 Company balance for amounts due to fellow group undertakings in the company statement of financial position has been restated by the prior year adjustment as detailed in note 15.

Included within Other loans are amounts totalling £81.3m (2017 - £95.0m) that are secured on the share capital of I.M. Properties Plc. Further details of the Other loans are given in note 28 to these financial statements.

**20 Creditors: Amounts falling due after more than one year**

|  | Group          |               | Company       |               |
|--|----------------|---------------|---------------|---------------|
|  | 2018<br>£'000  | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Loans and overdrafts                               | 211,178        | 149,133       | -             | -             |
| Derivative financial instruments                   | 2,862          | 4,561         | -             | -             |
| Amounts due to fellow group undertakings (note 28) | -              | 40,000        | -             | 20,000        |
| Other loans (note 19)                              | -              | 49,512        | -             | -             |
|  | <b>214,040</b> | 243,206       | -             | 20,000        |

Bank loans totalling £262.4m (2017 - £275.1m) are secured by fixed and floating charges on the assets of a number of subsidiaries and additional charges over the rental income of those subsidiaries. These loans are either repayable on expiry or, where a property acquired with the loan has been disposed of, by a repayment of a proportion of the loan unless a property of similar value is substituted. The repayment expiry dates range from August 2019 to August 2023.

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 2018 the group had hedged 48.7% of sterling debt and 54.8% of debt in total across the group worldwide (2017 - 71% and 71% respectively).

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**20 Creditors: Amounts falling due after more than one year** *continued*

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

|                                  | Group          |               | Company        |               |
|----------------------------------|----------------|---------------|----------------|---------------|
|                                  | 2018<br>£'000  | 2017<br>£'000 | 2018<br>£'000  | 2017<br>£'000 |
| <b>Borrowings</b>                |                |               |                |               |
| Bank loans                       | 262,434        | 275,154       | -              | -             |
| Other loans                      | 133,789        | 144,512       | 104,073        | 95,000        |
|                                  | <b>396,223</b> | 419,666       | <b>104,073</b> | 95,000        |
| Payable within one year          | 185,045        | 221,021       | 104,073        | 95,000        |
| Payable within one to two years  | 2,048          | 53,071        | -              | -             |
| Payable within two to five years | 209,130        | 145,574       | -              | -             |

**21 Financial instruments**

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>£'000  | 2017<br>£'000  |
| <b>Carrying amount of financial assets</b>                                     |                |                |
| Derivative financial instruments measured at fair value through profit or loss | 388            | 1,080          |
| Debt instruments measured at amortised cost                                    | 157,189        | 136,837        |
|  | <b>157,577</b> | <b>137,917</b> |
| <b>Carrying amount of financial liabilities</b>                                |                |                |
| Derivative financial instruments measured at fair value through profit or loss | 3,947          | 5,072          |
| Financial liabilities measured at amortised cost                               | 535,781        | 485,207        |
|  | <b>539,728</b> | <b>490,279</b> |



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

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

At 31 December 2018, if interest rates on borrowings at that date had been 100 basis points higher with all other variables held constant, post-tax profit (2017 – post-tax profit) for the year would have been £962,000 lower (2017 - £423,000 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 2018 was £188,691,000 (2017 - £224,226,000). At 31 December 2018, the fixed interest rates vary from 1.04% to 3.05% and floating rates from 0.80% to 0.85% (2017 – fixed interest rates vary from 1.04% to 3.05% and floating rates from 0.52% to 0.55%).

The group's derivative financial liabilities are measured at fair value of £3,947,000 (2017 - £5,072,000) and comprise interest rate swaps and foreign exchange trades (2017 – interest rate swaps).

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

**Hedge accounting – net investment in foreign operations**

The group uses foreign exchange contracts to hedge the foreign currency gains and losses arising on its investments in overseas operations. The fair value of the foreign exchange contracts is a liability of £1,085,000 (2017: asset - £1,048,000) with £1,085,000 (2017 - £Nil) shown within financial liabilities and £Nil (2017 - £1,048,000) shown within financial assets. During the year, there was no recorded ineffectiveness in the hedge and as such the whole of the loss in the year of £2,134,000 (2017: gain - £5,117,000) has been recorded in other comprehensive income.

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**22 Operating leases**

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

|                            | Group          |               |
|----------------------------|----------------|---------------|
|                            | 2018<br>£'000  | 2017<br>£'000 |
| <b>Amounts receivable:</b> |                |               |
| Within one year            | 26,821         | 25,664        |
| Between one and five years | 106,438        | 92,030        |
| After five years           | 204,894        | 205,388       |
|                            | <b>338,153</b> | 323,082       |

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

|                            | Group          |               |
|----------------------------|----------------|---------------|
|                            | 2018<br>£'000  | 2017<br>£'000 |
| <b>Amounts due:</b>        |                |               |
| Within one year            | 2,297          | 2,297         |
| Between one and five years | 9,188          | 9,188         |
| After five years           | 151,602        | 153,899       |
|                            | <b>163,087</b> | 165,384       |

The above operating lease represents the lease of two properties from a third party. The lease extends over a term of 71 years (2017 - 72 years) and rentals are fixed for 1 year (2017 - 2 years). There is an option in place to extend the lease for a further 50 years in 2089.

**23 Provisions for liabilities**

|                                       | Group<br>deferred taxation<br>£'000 | Company<br>deferred taxation<br>£'000 |
|---------------------------------------|-------------------------------------|---------------------------------------|
| Balance at 1 January 2018             | 9,745                               | -                                     |
| Credited to profit and loss           | (1,010)                             | -                                     |
| Charged to other comprehensive income | 642                                 | -                                     |
| Balance as at 31 December 2018        | <b>9,377</b>                        | -                                     |



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**24 Deferred taxation**

|                                  | Group         |               | Company       |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Deferred tax liabilities         | 9,377         | 9,745         | -             | -             |
| Deferred tax assets              | (1,504)       | (2,919)       | (167)         | (28)          |
| Net position at 31 December 2018 | <b>7,873</b>  | 6,826         | <b>(167)</b>  | (28)          |

The major deferred tax liabilities and assets recognised are:

**Deferred tax liabilities:**

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Accelerated capital allowances     | 1,328         | 917           | -             | -             |
| Valuation of investment properties | 8,049         | 8,828         | -             | -             |
| Total                              | <b>9,377</b>  | 9,745         | -             | -             |

**Deferred tax assets:**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Valuation of investment properties                      | 728           | 2,002         | 4             | 4             |
| Derivative financial instruments measured at fair value | 776           | 917           | 163           | 24            |
| Total   | <b>1,504</b>  | 2,919         | <b>167</b>    | 28            |

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**24 Deferred taxation** *continued*

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Deferred tax b/f                       | 6,826         | 19,715        | (28)          | (261)         |
| Movement to profit and loss            | 405           | (11,406)      | (139)         | 233           |
| Movement to other comprehensive income | 642           | (1,483)       | -             | -             |
| Deferred tax c/f                       | <b>7,873</b>  | 6,826         | <b>(167)</b>  | (28)          |

**25 Retirement benefits schemes**

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

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

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

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

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

The group charge for all schemes for the period was £617,000 (2017 - £504,000). The amount outstanding at the year-end was £Nil (2017 - £Nil).

**26 Commitments and contingent liabilities**

The company has previously entered into a guarantee with IM Properties Development Limited in a collaboration agreement with Testament Trumps Limited (TTL) in relation to a potential development site. The obligation is in relation to the promotion costs of the site and compliance with the disposal strategy. The guarantee currently stands at £832,000 (2017 - £906,000).

During the year, the company entered into a guarantee on behalf of Spitfire Bespoke Homes Ltd in relation to a Private Rental Scheme at Newhall Square Birmingham with Legal and General. The maximum contractual liability in relation to the guarantee is £40 million. The guarantee is in place for the duration of the build and rectification periods, which is expected to complete during 2020.

The company has previously entered into unlimited cross-guarantees with IMP Investments SHB Ltd and IMP Investments LBG Ltd and during the year with IMP Investments HSBC Ltd guaranteeing for each undertaking bank term loan facilities for £39,192,000 (2017 - £37,620,000) relating to IMP Investments SHB Ltd, £12,952,500 (2017 - £10,462,980) relating to IMP Investments LBG Ltd and £49,800,000 relating to IMP Investments HSBC Ltd.

Performance bonds, financial guarantees in respect of certain deferred land creditors and other building or performance guarantees have been entered into in the normal course of business. Management estimate that for Spitfire Bespoke Homes Limited the bonds and guarantees amount to £1.1m (2017 - £0.5m) at the year end and consider the possibility of a cash outflow in settlement to be remote.

The company has previously entered into limited guarantees over the bank debt of its US based subsidiaries, which totalled \$42m as at 31 December 2018 (2017 - \$19m).



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**27 Share capital and reserves**

|  | Ordinary<br>shares of<br>£1 each<br>Number |
|--|--|
| Allotted, issued and fully paid:<br>At 1 January 2018 and 31 December 2018 | <b>58,010</b>                              |

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

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

**Reserves**

*Profit and loss reserve*

Cumulative profit and loss net of distributions to owners.

*Non-controlling interest*

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

*Other reserve*

Non-distributable capital reserve.

**28 Related party transactions**

The company is controlled by I.M. Group Limited, which owns 100% of the issued share capital. The company's ultimate controlling party is Lord Edmiston who has control of the issued share capital of I.M. Group Limited.

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

During the year, management fees of £494,270 (2017 - £496,499) were charged to Christian Vision. Christian Vision is a registered charity formed by Lord Edmiston, his family and close associates, of which they are trustees. At the year-end amounts of £494,270 (2017 - £496,499) were due from Christian Vision.

The group has an unsecured loan with Lord Edmiston repayable by 31 December 2019. At the year-end £52,442,000 (2017 - £49,512,000) was due to Lord Edmiston. Interest of £2,569,684 (2017 - £2,958,925) has been charged to profit and loss on this loan in the year.

During the year IM Duporth Pty Ltd sold a land plot to Lord Edmiston for £2,350,861 which was considered to be market value and was settled in full at the point of sale. IM Duporth Pty Ltd subsequently entered into a development contract with Lord Edmiston to build a residential unit at market value. At 31 December 2018 the group has recognised accrued profit of £126,296 on the development. At the year end £2,652,232 is included in other debtors in respect of this contract.

The group has a series of short-term loan facilities with the International Motors Executive Pension Scheme, of which Lord Edmiston and his close family are trustees and members. At the year-end £81,347,000 (2017 - £95,000,000) was due to the Pension Scheme. Interest of £2,064,228 (2017 - £1,982,376) has been charged to profit and loss on these facilities during the year.

At 31 December 2018 IM Properties Plc has an indirect holding of 85.7% in Spitfire Bespoke Homes Limited. Spitfire Properties LLP is controlled by Spitfire Bespoke Homes Limited. On 1 January 2017, the trade and assets of the LLP were transferred at book value to Spitfire Bespoke Homes Limited.

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In 2016, I.M. Facilities Limited (formerly I.M. Group (1991) Limited), a fellow subsidiary of I.M. Group Limited, loaned funds of £20,000,000 to Spitfire Properties LLP under a rolling facility agreement. On the 1 January 2017 as part of the re-structuring exercise, the loan agreement was transferred to Spitfire Bespoke Homes Limited.

Included within creditors due within one year are amounts owed to I.M. Facilities Limited (formerly I.M. Group (1991) Limited) by Spitfire Bespoke Homes Limited of £20,000,000 (2017 - £20,000,000). Accrued interest of £189,041 (2017 - £189,041) is included within accruals and deferred income. Interest payable in the year totalled £749,998 (2017 - £749,998). The loan is to be repaid in 2019 on the refinancing of Spitfire Bespoke Homes Limited.

At 31 December 2018, IM Properties PLC had an outstanding loan due from Spitfire Bespoke Homes Limited of £64,191,198 (2017 - £50,406,544). The loan was provided to finance the acquisition and development of properties as well as to provide working capital to the business. During the year IM Properties Plc charged interest of £906,094 (2017 - £1,068,039) to Spitfire Bespoke Homes Limited.

At 31 December 2018, IM Properties PLC had an outstanding loan due to IMP Investments Limited group (the "Group") of £2,384,000 (2017 – due from £4,356,000). The Group is ultimately controlled by Lord Edmiston.

During the year, management fees of £359,090 (2017 - £326,055) were charged to Spitfire Bespoke Homes Limited by I.M. Group Limited.

During the year, I.M. Properties Plc charged a fee of £800,000 (2017 - £Nil) to Spitfire Properties (Newhall) Limited for providing a £40m guarantee as described in note 26.

During the year, Spitfire Bespoke Homes Ltd sold a land plot to a director for £320,000 which was considered to be market value and was settled in full at the point of sale. In 2017 Spitfire Bespoke Homes Limited sold 1 property to a director for a consideration of £651,000. The consideration was settled in full at the point of sale.

During the year Spitfire Bespoke Homes Ltd entered into a contract to build a house for a member of the group senior management team for consideration of £569,000.

The group holds a 50% controlling interest in I.M. Properties (Mell Square) LLP. The remaining 50% is held by Lord Edmiston. The LLP has not traded since 2016 and was dissolved in February 2019.

## **29 Ultimate parent company and parent undertaking of larger group**

The company is a subsidiary of I.M. Group Limited which is the ultimate parent company incorporated in England & Wales.

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

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**30 Cash generated from operations**

|   | Group         |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
|   | £'000         | £'000         |
| Profit for the year   | 35,393        | 58,553        |
| <b>Adjustments for:</b>   |               |               |
| Tax expense recognised in profit or loss                                    | 10,565        | 5,096         |
| Fair value gains on investment properties and properties under construction | (7,078)       | (13,418)      |
| Permanent diminution in property held as trading stock                      | -             | 800           |
| Foreign exchange (gains)/losses   | (767)         | 1,480         |
| Profit on disposal of investment properties                                 | (2,291)       | (23,298)      |
| Amortisation and impairment of intangible assets                            | -             | 165           |
| Depreciation and impairment of tangible fixed assets                        | 105           | 107           |
| Interest receivable   | (2,946)       | (4,125)       |
| Interest payable  | 15,175        | 18,681        |
| <b>Operating cash flows before movements in working capital</b>             | <b>48,156</b> | <b>44,041</b> |
| (Increase)/decrease in stock  | (2,346)       | 4,572         |
| (Increase)/decrease in trade and other debtors                              | (26,675)      | 48,495        |
| Increase/(decrease) in trade and other creditors                            | 38,396        | (3,872)       |
| Cash generated from operations  | <b>57,531</b> | 93,236        |

**31 Post balance sheet events**

In January 2019 I.M. Properties PLC acquired the remaining 14.3% holding in Spitfire Bespoke Homes Limited.

In March 2019 the Group completed on the sale of an investment property in the US for a consideration of £32,250,000. A bank loan repayment of £18,735,000 was made from the proceeds.

In May 2019 the Group agreed a new revolving credit facility of £17,250,000.

In June 2019 the Group agreed a £60,000,000 revolving credit facility in respect of Spitfire Bespoke Homes Limited. This replaced an existing facility of £40,000,000.



