IM PROPERTIES PLC

Report & Financial Statements
For The Year Ended 31 December 2022

Mercia Park

Contents

Directors

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

Secretary

A G Clarke

Registered office

The Gate, International Drive, Solihull, B90 4WA

Company registration number

3456022

Auditors

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

£31.4m

PROFIT BEFORE TAX & DONATIONS

Strategic Report

The directors present the strategic report and financial statements for the year ended 31 December 2022.

Review of the business

Despite this backdrop of a falling market, we are able to report a profit before tax and donations of £31.4m. The group made a charitable donation of £49.8m during the year, of which £31.3m was recharged to IM Group Limited leaving a consolidated profit before tax of IM Properties of £12.9m. The Board would like to thank all of the teams across the group for the hard work and commitment they have demonstrated in once again enabling IM Properties to outperform the market.

The primary key performance indicator for the business is 'total return on capital employed before tax and charitable donations' which for the year under review was 6.1%. This compares very favourably with the MSCI[1] IPD UK index which shows a total return for 2022 of negative 9.1%.

The diversified structure of the business continues to provide 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.

The strategic changes set out in our last report to reduce our exposure to offices and retail assets in the UK have been successful with the capital generated now deployed into sustainable urban logistics assets and ongoing logistic park developments which will be net zero in construction with a minimum EPC rating of A in line with our Sustainable Futures path to net zero.

As a result of this, the fair value write down on our investment portfolio was restricted to a net £35m, reflecting the resilient nature of the investment portfolio.

The commercial development division generated a profit of £15m primarily from the delivery of completed units, with value generated through successful planning applications on new developments offset by softer assumed exit yields. 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 20 million sq ft of logistics space, primarily around the Midlands with a GDV in excess of £2.75bn.

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

Spitfire Homes, our housebuilding division, reported a turnover of £74m, up from £63m in 2021. The average private sale price decreased to £479,000 from £566,000 as a result of the change in mix of house types completed as plot sales increased by 47 units to 155 for 2021. This generated a profit before tax of £3.8m for the year. Health & Safety standards remain excellent on all sites with an average score of 94.3% for the year. As at 31 December 2022 Spitfire Homes had planning permission for 1,483 plots, up from 768 in 2021 and with land capable of delivering around 2,000 units. Further significant land acquisitions since the year end mean Spitfire is well placed to deliver on the strategic plan which builds towards 350 annual units and pre-tax profits in excess of £10m.

The housing market has remained resilient through 2022 despite the headwinds of increasing mortgage costs, falling real wages and fuel & other costs increasing to squeeze household budgets. However, with base rates now at 5.0%, market expectations that they will reach 5.5% later in 2023 and little prospect they will fall significantly until well into 2024, there seems little doubt that strong headwinds are building for the housing market. Spitfire continue to consistently sell properties ahead of build completion although we are seeing sales take longer to convert from initial interest. Despite the short-term headwinds, we are confident that the fundamentals are supportive for the housebuilding sector.

In the US, the development of a flagship lifestyle centre at Brookfield, Wisconsin with 400,000 sq ft of retail and 244 residential apartments continues. The expansion of this development to the west will provide improved economies of scale around the operating costs of the centre as well as enhanced value through the symbiotic relationships inherent in a well-planned and well operated high end mixed use development.

£15m

PROFIT FROM COMMERCIAL DEVELOPMEMT

£4m

PROFIT FROM HOUSEBUILDING DIVISION

Our US joint venture IM Kensington Developments LLC has now successfully completed three retail led developments in Illinois. We have six ongoing development sites across Illinois, Colorado, Kansas and Minnesota, with a further five sites under contract across Colorado, Arizona and Illinois. While economic conditions have become more challenging across the United States, we have seen resilience in the markets and sectors we are active in, which now include residential as well as retail led development.

Streamlined Energy and Carbon Report

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

Reporting Period

The reporting period for this data is 1 January 2022 to 31 December 2022 in line with the financial reporting period. 2021 is used as previous year comparison.

Scope

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

Measurement Methodology

The reporting methodology used is the GHG Reporting Protocol - A Corporate Accounting and Reporting Standard and IM Properties Plc has elected to use an operational control approach for this report. This reporting is in compliance with the Streamlined Energy and Carbon Reporting ("SECR") legislation for large unquoted companies. Electricity and gas consumption data has been sourced directly from suppliers using Estimated Annual Consumption (EAC) /Annual Quantity (AQ) data where possible or from invoices provided by the energy supplier.

Where possible, actual data has been used but the report includes estimates based on average consumption rates for some limited areas where actual data was unavailable.

Emission factors used are based on those issued from the UK Department of Business Energy and Industrial Strategy (BEIS) and The Department of Environment, Farming and Rural Affairs (DEFRA) in 2022.

Scope 1 - includes emissions associated with natural gas consumption, gas oil, propane, butane and company cars. For FY 2022 refrigerant leakage is not considered to be material and is excluded from Scope 1.

Scope 2 - includes emissions associated with electricity consumption and is calculated based on a location-based approach.

Scope 3 - includes emissions associated with business travel in employee-owned cars.

The intensity ratio presented is calculated based on total tonnes CO_2e emissions in the reporting period divided by the number of employees in the UK, as at the 31 December 2022.

Year on Year Variances

During 2022 the group made nine acquisitions, totalling circa 278,000 sq ft and divested three assets, while in 2021 we sold a large office park and a shopping centre part way through the year. Spitfire Homes saw an increase in the number of new homes constructed and sold in the period.

At the end of 2021 we began the refurbishment of an office building removing the gas supply, which had accounted for 263 tonnes of CO_2e in 2021.

We have also continued to improve our reporting processes, leading to improved data clarity. These changes help to explain year on year variance in energy consumption and associated scope 1 and 2 emissions reported.


Holla Park, Houghton Regis

6.1%

TOTAL RETURN ON CAPITAL EMPLOYED

Greenhouse gas emissions, energy use data and intensity ratio for the period 1 January 2022 to 31 December 2022

UK Energy consumption	2022	2021 (Restated)[1]
Energy consumption used to calculate emissions (kWh)	4,283,355	5,883,307*
On-Site Renewable Generation		
Solar energy produced (kWh)	Not Available	Not Available
Scope 1 emissions in metric tonnes CO^2e		
Purchased gas	155	413
Gas oil	353	169
Propane	7	1
Butane	2	1
Owned transport and fuel cards	46	47
Scope 2 emissions in metric tonnes CO^2e		
Purchased electricity (Location based)	223	502
Scope 3 emissions in metric tonnes CO^2e		
Business travel in employee-owned vehicles	139	99
Total gross emissions in metric tonnes CO^2e	**925**	**1,232**
Intensity ratio Total Tonnes CO^2e per employee	**8**	**13**

1. Prior period figures with an asterisk (*) have been restated to correct a calculation error within the Spitfire Homes division. In addition to this, 46 metric tonnes of CO2e related to fuel purchased by company fuel cards was classified under scope 3 in 2021 but has now been amended in the comparative numbers above to be shown within scope 1. Onsite solar energy generation relates to PV panels at the group head office, which is owned by IM Group Limited and therefore is disclosed at that level.

Energy & Carbon Strategy

IM Properties plc are committed to supporting the UK Government's commitment to be net zero by 2050. In line with this, the company has committed to be a Net Zero carbon company and all our commercial developments will be Net Zero Ready by 2030. This means we will implement Net Zero construction and design all our developments to be Net Zero operation. This will include setting and pursuing an ambitious 1.5°C aligned science-based target (SBTi) for our full value-chain emissions. Any remaining hard to decarbonise emissions will be offset using 'high quality' certified greenhouse gas removal. To achieve this commitment, the company recognises the need to continue to improve data collection across its Scope 1, 2 and 3 emissions in conjunction with the implementation of the wider Sustainable Futures strategy as set out in Our Route to Net Zero pathway document, available on the group website.

Energy and Carbon Performance Commentary

During the reporting year we have continued to implement the energy and carbon objectives set out in our Sustainability strategy and took action to manage and reduce our greenhouse gas emissions.

These included:

- Practical completion of our project at Mercia Park, Jn 11, M42, delivering around 2.9 million square foot commercial space for Jaguar Land Rover. This is our first commercial development to be constructed in accordance with the UKGBC Net Zero Carbon Buildings Framework to achieve net zero carbon in construction by offsetting some 112K tonnes of CO_2.
- Practical completion of Bourn, our office refurbishment project in Coventry. This newly refurbished office includes the use of photo-voltaic panels, providing around 12% of the buildings energy needs, achievement of an EPC A rating, BREEAM Very Good and conversion from gas to an all-electric mechanical and electrical system using 100% renewable sourced energy. The building also promotes and aims to encourage sustainable travel with the provision of 16 EV car charging points as well a dedicated cycle hub.
- Trialled the use of innovative, low carbon technologies such as solar panels and battery storage on our Spitfire Homes project at Eckington.
- Gave our employees greater choice by Introducing into zero emission vehicles (electric vehicles) into our company car fleet for the first time.
- We have continued to engage with Climate Impact Partners to further support our commitment to Net Zero Construction. Offsetting around 114K tonnes of CO_2e by surrendering high quality, verified carbon credits (certified by the International Carbon Reduction and Offset Alliance (ICROA) and Gold Standard).
- Joining forces with other leading industry organisations to champion the development of the UK Net Zero Building Standard (NZBS), which will be published in December 2023. For further information see https://www.nzcbuildings.co.uk

Peddimore, Birmingham

Monitoring and managing risks and uncertainties

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

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

Principal risks	Area of impact	Management approach
Property investment risks		
Cyclical property market movements *Poor decision making on whether to buy, sell or hold assets*	Profitability Net asset value Financial covenants 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.
Weak asset management	Cash flow Void levels Net asset value Profitability	Our experienced and proactive team of property asset managers work closely with external advisers and asset managers where appropriate. All property assets are reviewed regularly, and we focus on building effective relationships with our tenants to ensure changing needs are identified and met.
Changes in the level of occupier demand or supply of space	Profitability Net asset value Liquidity Void levels	The group holds a diversified property portfolio across the United Kingdom and the United States of America. Our tenant base is well diversified, and investment and development teams maintain a strong awareness of the supply pipeline in our core areas.
Financial risks		
Exposure to foreign currency	Net asset value Profitability	Property assets are funded locally where possible in matching currency. The group utilises derivative financial instruments in order to achieve the foreign exchange hedging levels targeted by the Board. Levels of unhedged currency exposure are monitored on an ongoing basis.
Adverse interest rate movements	Profitability Liquidity Banking covenants	The group's exposure to adverse interest rate movements is largely mitigated through the use of derivative instruments, including interest rate swaps and caps. Hedging levels are monitored on an ongoing basis.
Covenant breach	Profitability Liquidity	Financial covenants are monitored by the Finance Director on an ongoing basis and reported to the banks in accordance with agreed terms. Financial covenants are forecast a minimum of 12 months out to provide visibility of potential risks, allowing time for mitigating action to be taken. Where appropriate, modelling is undertaken to determine the impact on covenants as part of the group's decision-making process.

Principal risks	Area of impact	Management approach
Financial risks *continued*		
Unavailability of funding at acceptable pricing	Profitability Liquidity 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 through a £50m internal revolving credit facility. The exposure on re-financing of debt is mitigated through a broad spread of debt maturities and early engagement with lenders where appropriate.
Development risks		
Adverse changes in occupational or investment markets	Profitability Net asset value 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.
Failure to secure appropriate planning permissions	Profitability Liquidity 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.
Contractor availability and potential failure	Delay in development programme 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.
A major health and safety incident	Serious injury or death to an employee, member of the public, contractor or any other person. Reputation 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.

Principle risks	Area of impact	Management approach
Development risks *continued*		
Cost inflation and availability of materials/labour	Profitability Delay in developments Reputation	On commercial developments we use main contractors and agree fixed priced contacts with agreed timescales and financial compensation provided for delays. Occasionally if the cost of one fixed price contract is prohibitive as may be the case during period of high inflation, then our Project Delivery Director will consider other options including contracting separate elements such as a groundworks package followed by a build package or working on an open book basis. In high inflationary environments we ensure that the cost package is secured before contracting on agreements for lease or forward sales. Our housebuilding division will agree prices with subcontractors and suppliers as far as possible, but we recognise that this will cover a limited period and we may see costs change over the life of some development sites. However, we are also seeing the benefit of larger developments of standardised house types, which allows us to access a deeper pool of subcontractors and mitigate cost inflation to some extent.
Environmental risks		
Increase in building regulation and obsolescence, climate change and increased energy costs	Profitability Void levels Net asset value	All emerging regulatory changes are assessed for potential impacts on group property assets. Fit-out and refurbishment schemes are benchmarked against industry standards and investment in energy efficient plant and building mounted renewable energy systems is designed in where appropriate. Future environmental risks are considered for all potential developments including flood risk and environmental assessments. Carbon credits are secured in advance to provide a hedge against the costs of achieving Net Zero in construction.
Economic downturn	Profitability Net asset value Liquidity Banking covenants	The group holds a diversified property portfolio across the United Kingdom and the United States of America. Significant cash reserves are maintained within the IM Properties Plc Group and within IM Group Ltd, which are available to IM Properties through agreed intra group facilities. The investment portfolio is heavily weighted to credit grade tenants with many properties assessed as business critical providing a level of resilience to the rental income profile.
Global pandemic	Net asset value Liquidity Banking covenants Profitability	The group has demonstrated its resilience during the COVID pandemic with systems in place to enable efficient remote working and procedures to ensure the safety of employees while allowing group operations to continue with minimal impact. The high quality of our investment portfolio together with the wider diversification through our strategic land division, commercial and residential development increases the resilience of the group.

Stakeholder Engagement

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

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

The table below provides a summary of how the Board consider the company's stakeholders and their concerns in decision making and demonstrates that in conducting the business of the company over the course of the year ended 31 December 2022, the directors have complied with Section 172(1) of the Companies Act 2006.

	Primary issue	Why engage	How we engage	Influence on decision making
Employees	It is critical for the future success of the business that we develop, retain and attract talent.	To understand how we can provide stimulating and challenging career opportunities for our teams to develop their skills within a considerate and supportive environment.	We work hard to create an open culture, encouraging constructive and honest dialogue throughout the business. We strive to follow our core values of integrity, togetherness, respect and commitment in the way we work with each other across the group.	The group operates with a flat management structure and this direct interaction between directors and employees helps the Board to make decisions relating to people development, working environments and the attraction of talent. During the year the group conducted an extensive staff survey to canvass views and opinions, which has led to a planned increase in the flexibility and choice around employee benefit packages for 2023.

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

	Primary issue	Why engage	How we engage	Influence on decision making
Communities	Environment concerns and local issues are combined with social challenges around equality, health, skills, affordable housing and social cohesion.	Understanding our communities allows us to help create successful, inclusive and sustainable places in an environmentally responsible way.	Many of our employees are embedded in the communities that we serve. At director level we maintain positive relationships with local authorities who understand the needs of their local communities.	Since it began trading the IM Group has donated in excess of £450m to Christian Vision, a charity founded by Lord Edmiston that seeks to address the social challenges that concern all of us. Since 2020 we have increased our support for community mentoring projects with staff taking responsibility for one of more individuals in the community and our teams support a number of local schools with time and resources provided by our Grace Foundation.
Shareholder	Delivering sustainable capital growth and income over the long term with an appropriate balance of risk and return in the context of wider market uncertainty.	We have a clear responsibility to engage with the owner of the business, whose views are an important driver of our strategy.	We hold quarterly shareholder meetings where the owner can engage directly with the senior management team. There are also regular informal discussions held on a one-to-one basis.	The owner provides direct feedback on strategic plans proposed by the directors, which is then factored into the final corporate strategy. The decision to donate units from The Hub to Charity in August 2022 was taken as a result of discussions with the ultimate shareholder.

Future plans

We continue to adopt a cautious stance as a group given the perceived risks in the UK and wider global economies. The majority of our investment portfolio is in the industrial/logistics sector and is under pinned by strong market fundamentals, which are also supportive of our commercial development pipeline. Residential may see short term pressures around the housing market but that may also bring opportunities for the group as we look for further acquisitions and having successfully delivered two major Build-to-Rent schemes we are looking to expand further into this sector. The directors are confident that as a group we maintain a strong balance sheet with £70m of cash on deposit and significant headroom available on our banking facilities providing the firepower to take advantage of appropriate opportunities as and when they arise.

By order of the board

A G Clarke, Secretary

30 June 2023

FUTURE COMMERCIAL DEVELOPMENT PIPELINE GDV OVER

£2.75bn

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2022.

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 25 and show a profit after tax for the year of £15.4m (2021 - £93.8m). The performance of the group is detailed within the strategic report on pages 3 - 15. During the year, no interim dividends were paid (2021 - £Nil). The directors do not recommend the payment of a final dividend (2021 - £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 - 15 under s414c(11) Companies Act 2006.

Post balance sheet events

Details of events that have occurred since 31 December 2022 are set out in note 35 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

30 June 2023

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.

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

Edge, Enfield

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of I.M. Properties Plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, Statements of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We 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.

Conclusions relating to going concern

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We gained an understanding of the legal and regulatory framework applicable to the Parent Company and the industry in which it operates, and considered the risk of acts by the Parent Company that were contrary to applicable laws and regulations, including fraud.
- We considered the Parent Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the company financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We reviewed minutes of all Board meetings held during and subsequent to the year end for any indicators

of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also made similar enquiries of advisers to the Parent Company, where information from that adviser has been used in the preparation of the financial statements.

- We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year end and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.
- We designed audit procedures that specifically address the fraud risk due to improper revenue recognition. Through our tailored procedures, we were able to mitigate the fraud risk by focusing on where management may feel pressure to achieve expected results to meet interest cover covenants or achieve bonuses.

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

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

Use of our report

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

Geraint Jones (senior statutory auditor)

For and on behalf of BDO LLP, Statutory Auditor,
London, United Kingdom.

07 July 2023

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

Mercia 51, Mercia Park

GROUP NET ASSETS OF

£546.9

MILLION POUNDS

Consolidated Statement of Comprehensive Income

	Notes	2022 £'000	2021 £'000
Turnover	3	300,632	407,259
Cost of sales		(235,514)	(294,457)
Gross profit		65,118	112,802
Administrative expenses		(67,797)	(34,165)
(Losses)/gains from changes in fair value of investment property		(41,564)	5,905
Other operating income	4	54,850	37,511
Operating profit	5	10,607	122,053
Interest receivable and similar income	9	17,332	10,746
Interest payable and similar charges	10	(15,043)	(13,561)
Profit before taxation		12,896	119,238
Taxation	11	2,546	(25,404)
Profit after taxation		15,442	93,834
Other comprehensive expense net of taxation			
Currency translation differences		5,243	(1,788)
Other comprehensive income/(expense) for the year		5,243	(1,788)
Total comprehensive income for the year		20,685	92,046

The notes on pages 35 to 63 form part of these financial statements.

Hinckley Park, Leicestershire

Consolidated Statement of Comprehensive Income (continued)

	Notes	2022 £'000	2021 £'000
Profit for the financial year attributable to:			
Owners of the parent		12,635	82,285
Non-controlling interests		2,807	11,549
Profit for the financial year		15,442	93,834
Total comprehensive income for the year attributable to:			
Owners of the parent company		16,496	80,497
Non-controlling interests		4,189	11,549
Total comprehensive income for the financial year		20,685	92,046

The notes on pages 35 to 63 form part of these financial statements.

Statements of Financial Position

		Group		Company	
Company registration number 3456022	Notes	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fixed assets					
Other tangible assets	14	34	14	-	-
Investment properties	15	672,979	639,151	-	-
Investments	16	-	-	466,071	453,397
Intangible assets	18	1,796	2,913	1,796	2,913
		674,809	642,078	467,867	456,310
Non-current assets	19	-	69,294	-	69,294
Current assets					
Stocks	20	248,958	206,298	-	-
Debtors	21	154,716	57,441	407,740	319,012
Cash at bank and in hand		69,517	91,533	5,696	14,415
		473,191	355,272	413,436	333,427
Creditors: amounts falling due within one year	22	(344,039)	(341,671)	(847,654)	(852,628)
Net current assets/(liabilities)		129,152	13,601	(434,218)	(519,201)
Total assets less current liabilities		803,961	724,973	33,649	6,403
Creditors: Amounts falling due after more than one year	23	(246,185)	(181,245)	-	-
Provisions for liabilities	26	(10,786)	(11,432)	(4,127)	-
Net assets		546,990	532,296	29,522	6,403

The notes on pages 35 to 63 form part of these financial statements.

Statements of Financial Position (continued)

		Group		Company	
Company registration number 3456022	Notes	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Capital and reserves					
Called up share capital	30	58	58	58	58
Profit and loss reserves	30	534,970	518,474	29,464	6,345
Other reserve	30	3	3	-	-
Equity attributable to owners of the parent company		535,031	518,535	29,522	6,403
Capital and reserves attributable to non-controlling interests		11,959	13,761	-	-
Total equity		546,990	532,296	29,522	6,403

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 £23.1m (2021 - profit £4.4m).

The financial statements were approved by the board of directors and authorised for issue on 30 June 2023 and are signed on its behalf by:

G E Hutton, Director

The notes on pages 35 to 63 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Notes	Share capital £'000	Profit and loss reserve £'000	Other reserve £'000	Attributable to: Controlling interests £'000	Attributable to: Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2022		58	518,474	3	518,535	13,761	532,296
Profit for the year		-	12,635	-	12,635	2,807	15,442
Other comprehensive income/ (expense), net of taxation: Currency translation differences on overseas subsidiaries		-	3,861	-	3,861	1,382	5,243
Total comprehensive income for the year		-	16,496	-	16,496	4,189	20,685
Capital introduced by non-controlling interest		-	-	-	-	996	996
Distribution to non-controlling interest		-	-	-	-	(6,987)	(6,987)
Balance at 31 December 2022		58	534,970	3	535,031	11,959	546,990

The notes on pages 35 to 63 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)

	Notes	Share capital £'000	Profit and loss reserves £'000	Other reserve £'000	Attributable to: Controlling interests £'000	Attributable to: Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2021		58	437,977	3	438,038	74	438,112
Profit for the year		-	82,285	-	82,285	11,549	93,834
Other comprehensive income/ (expense), net of taxation: Currency translation differences on overseas subsidiaries		-	(1,788)	-	(1,788)	53	(1,735)
Total comprehensive income/ (expense) for the year		-	80,497	-	80,497	11,602	92,099
Capital introduced by non-controlling interest		-	-	-	-	4,300	4,300
Distribution to non-controlling interest		-	-	-	-	(2,215)	(2,215)
Balance at 31 December 2021		58	518,474	3	518,535	13,761	532,296

The notes on pages 35 to 63 form part of these financial statements.

Company Statement of Changes in Equity for the Year Ended 31 December 2022

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2021		58	1,941	1,999
Loss and total comprehensive expense for the year		-	4,404	4,404
Balance at 31 December 2021		58	6,345	6,403
Balance at 1 January 2022		58	6,345	6,403
Profit and total comprehensive income for the year		-	23,119	23,119
Balance at 31 December 2022		58	29,464	29,522

The notes on pages 35 to 63 form part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	33	31,302	99,998
Taxation paid		(2,423)	(21,887)
Net cash from operating activities		28,879	78,111
Investing activities			
Purchase of investment properties		(158,301)	(170,924)
Purchase of other tangible fixed assets		(39)	(2)
Proceeds from sale of investment properties		60,229	360,138
Purchase of intangible assets		-	(2,913)
Interest received		696	224
Proceeds from sale of subsidiary		-	1,046
Net cash (utilised in)/generated from investing activities		(97,415)	187,569
Financing activities			
Proceeds from borrowings		143,332	83,150
Repayment of borrowings		(64,041)	(354,591)
Interest paid		(15,905)	(13,713)
Settlement of derivative financial instruments		(8,268)	503
Capital introduced by non-controlling interest		996	4,300
Parent company loan		(4,600)	-
Distribution to non-controlling interest		(6,987)	(2,215)
Net cash generated from/(utilised in) financing activities		44,527	(282,566)
Net (decrease) in cash and cash equivalents		(24,009)	(16,886)
Cash and cash equivalents at beginning of year		91,533	108,507
Foreign exchange gains/(losses) on cash and cash equivalents		1,993	(88)
Cash and cash equivalents at end of year		69,517	91,533

The notes on 35 to 63 form part of these financial statements.

Pembleton by Spitfire Homes

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies

Company information

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

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

Accounting convention

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

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

Basis of consolidation

The consolidated financial statements incorporate those of I.M. Properties Plc and all its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2022.

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 group generated a pre-tax profit of £12.9m after making charitable donations of £18.5m (2021 - £119.2m) in a year which saw average total property returns of minus 9.1%. This continues to provide strong evidence of the robust and well diversified nature of the group.

As at 31 December 2022 the group had net assets of £547m (2021 - £532m) and included within net current assets were cash deposits of £70m (2021 - £92m) with significant further liquidity available through undrawn committed facilities with our banking partners and wider group facilities.

In November 2022 the group completed a new revolving credit facility of £90m with Natwest Bank Plc, HSBC Bank Plc and Barclays Bank Plc for 3 years with options to extend this, providing funding to support the continued growth of Spitfire Homes, our housebuilding division. Since the year end we have completed on a new £25m facility with Barclays Bank Plc for 3 years, with extension options and we have agreed a new facility with Lloyds Bank Plc to replace our existing £65m combination of term loan and RCF on similar terms, which we expect to complete by September 2023. Combined with our other bank facilities, these provide a well-balanced spread of facility terms for the group.

The rapid rise in interest rates as the Bank of England attempts to bring inflation back down to its 2% target has had a significant negative impact on commercial property prices. However, our loan facilities remain comfortably within our loan to value covenants and interest rate hedges are providing protection from the higher rates for our commercial portfolio loans. While in these challenging economic conditions we continue to monitor the performance of our tenants closely, the quality and diversity of our tenant covenants means we have not seen significant delinquencies and based on historical performance we do not expect this to change in the foreseeable future.

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

On this basis, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

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

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

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

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 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.

Carbon offset instruments

Instrument managed services for emission reductions are held for the purpose of offsetting against greenhouse gas (GHG) emissions arising from the commercial developments over a ten-year period.

Carbon offset instruments are initially recognised at cost and classified as intangible assets. At each reporting date they are assessed for impairment, any impairment loss is recognised immediately in profit or loss.

On practical completion of the relevant commercial development carbon offset instruments are retired, and transferred as an additional cost to that development.

Stocks

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

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

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

Construction contracts

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

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

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

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

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 other debtors, accrued income, funds held on escrow 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, accruals 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 interest receivable and similar income or interest payable and similar charges as appropriate.

Finance costs

Finance costs are either charged to the Income Statement 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 or if the loan is specific to a development project interest will be recognised within WIP or additions to Assets Under Construction, depending on the nature of the project, until the project is income producing.

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.

Peddimore, Birmingham

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 2022. 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.

Valuation of investment properties

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

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

3 Turnover

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

	2022 £'000	2021 £'000
Class of business		
Rental and other income	28,634	38,296
Commercial trading and development	197,827	305,118
Residential trading and development	74,171	63,845
	300,632	407,259

Construction contracts are accounted for in accordance with the accounting policies set out on page 37.	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	263,982	330,897
Rest of the World	36,650	76,362
	300,632	407,259

4 Other operating income

	2022 £'000	2021 £'000
Profit on sale of investment properties	19,293	37,975
Loss on sale of subsidiary (note 34)	-	(1,714)
Management charges and other income	35,557	1,250
	54,850	37,511

5 Operating profit

	2022 £'000	2021 £'000
This is arrived at after charging/(crediting):		
Fair value losses/(gains) on investment properties and investment properties under construction	41,564	(5,905)
Foreign exchange (gain)/loss	(279)	34
Depreciation of owned tangible fixed assets	19	37
Profit on disposal of investment properties	(19,293)	(37,975)
Loss on sale of subsidiary (note 34)	-	1,714
Management charges and other income	(35,556)	(1,239)
Coronavirus job retention scheme grants	-	(11)
Charitable donation (note 12)	49,801	20,000
Cost of stocks recognised as an expense	203,260	262,707
Operating lease expense	-	574

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

6 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor		
For audit services:		
Audit of the group's and company's financial statements	300	247
Audit of subsidiary companies' financial statements	35	45
For other services:		
Accountancy services	33	31
Tax advisory services	5	13
	373	336

7 Employees

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

	2022 No.	2021 No.
Property management	128	111

Of the above 128 (2021 - 111) persons employed by the group, 45 (2021 - 43) were employed by the company.

	Group		Company	
Their aggregate remuneration comprised:	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages and salaries	11,076	9,822	4,597	3,747
Social security costs	1,300	1,094	611	453
Pension costs	714	872	261	483
	13,090	11,788	5,469	4,683

8 Directors' remuneration

	2022 £'000	2021 £'000
Salaries and taxable benefits	500	457
Company contributions to defined contribution pension scheme	-	55
	500	512

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 2). A director is also a member of a closed defined benefit scheme for which no retirement benefits were accrued in the year.

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

	2022 £'000	2021 £'000
Salaries and taxable benefits	322	263

Compensation of key management personnel

The total compensation of the employees, who are considered to be the key management personnel of the Group, was £1,294,297 (2021 - £1,388,745). Key management personnel are the senior management team having authority and responsibility for planning, directing and controlling the activities of the Group.

9 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest receivable	143	224
Fair value movements on derivative financial instruments	16,636	10,522
Swap interest receivable	553	-
Total finance income	17,332	10,746

10 Interest payable and similar charges

	2022 £'000	2021 £'000
Interest on bank overdrafts and loans	9,085	4,752
Interest on group loans	793	140
Fair value movements on derivative financial instruments	-	406
Swap interest payments	422	3,331
Interest on other loans	4,743	4,932
Total finance costs	15,043	13,561

11 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current year	2,013	29,673
Adjustments in respect of prior periods	(637)	(349)
Foreign current tax on profits	198	1,468
Adjustment in respect of prior periods in respect of foreign tax	(3,310)	160
Group relief receivable	-	(2)
Total current tax	(1,736)	30,950
Deferred tax		
Origination and reversal of timing differences	(1,150)	(13,235)
Adjustments in respect of prior periods	340	3,330
Effect of tax rate change on opening balance	-	4,359
Total deferred tax	(810)	(5,546)
Total tax charge	(2,546)	25,404

The tax assessed for the year is lower (2021 - higher) than the standard rate of corporation tax in the UK applied to profit before tax.

The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	12,896	119,238
Expected tax charge based on a corporation tax rate of 19% (2021 - 19%)	2,450	22,655
Tax effect of expenses that are not deductible in determining taxable profit	3	50
Fixed asset differences	(12,142)	(2,176)
Adjustments in respect of prior years - current tax	(3,947)	(189)
Adjustments in respect of prior years - deferred tax	568	3,330
Deferred tax not recognised	10,750	(31)
Rate adjustments to opening and closing deferred tax	(230)	914
Other movements	2	851
Tax (receipt)/expense for the year	(2,546)	25,404

Charges to deferred tax for prior periods relate to fixed asset timing differences. At 31 December 2022 the group had unrecognised deferred tax assets of £13,691,000 (2021 - £nil) in respect of valuation of investment properties. In addition to the amount charged to the Statement of comprehensive income a tax amount of £764,000 (2021 - £73,000) in relation to derivative financial instruments measured at fair value has been credited to Other comprehensive income.

12 Charitable donation

	2022 £'000	2021 £'000
Christian Vision	49,801	20,000

Christian Vision is a registered charity (UK registration number 02842414) formed by Lord Edmiston, his family and close associates, of which they are trustees. The donation was made in the form of investment properties with a market value of £73,600,000 for which proceeds of £23,799,000 were received (2021 - the donation was made in the form of cash).

13 Dividends

	2022 £'000	2021 £'000
Ordinary shares		
An interim dividend was not paid during the year (2021 - £Nil per share)	-	-

14 Other tangible fixed assets

Office equipment	Group £'000	Company £'000
Cost or valuation		
At 1 January 2022	465	38
Additions	39	-
Disposals	-	-
At 31 December 2022	504	38
Depreciation and impairment		
At 1 January 2022	451	38
Depreciation charged in the year	19	-
Disposals	-	-
At 31 December 2022	470	38
Carrying amount		
At 1 January 2022	14	-
At 31 December 2022	34	-

15 Investment properties

Group	Freehold £'000	Properties under construction £'000	Total £'000
Fair value			
At 1 January 2022	372,079	267,072	639,151
Additions	79,537	62,386	141,923
Disposals	(85,603)	(2,087)	(87,690)
Exchange translation	-	21,159	21,159
Transfers	27,505	(27,505)	-
Fair value gains	(35,113)	(6,451)	(41,564)
At 31 December 2022	358,405	314,574	672,979

If investment properties and properties under construction were not stated on a fair value basis, they would have been stated at a cost of £725,517,000 (2021 - £611,476,000).

The investment properties are held at fair value as at 31 December 2022 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 2022 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.


Mercia 51, Mercia Park

16 Fixed asset investments

Company

Subsidiary undertakings	Shares £'000	Loan £'000	Total £'000
Cost			
At 1 January 2022	236,548	265,937	502,485
Disposals	-	(192)	(192)
Exchange translation	-	12,866	12,866
At 31 December 2022	236,548	278,611	515,159
Provisions			
At 1 January 2022	49,088	-	49,088
Impairment charge in year	-	-	-
At 31 December 2022	49,088	-	49,088
Book value			
At 31 December 2021	187,460	265,937	453,397
At 31 December 2022	187,460	278,611	466,071

17 Subsidiary undertakings

Details of the company's subsidiaries at 31 December 2022 are as follows:

Title	Principal activity	Country of incorporation	Class of share	% Held
IM Properties (Europe) Holdings SARL	Holding company	Luxembourg[2]	Ordinary	100
IM Properties (Germany) SARL*	Property investment	Luxembourg[2]	Ordinary	100
IM Property Investments (USA) LLC	Holding company	United States[3]	Ordinary**	100
IM Properties Management LLC*	Property management	United States[3]	Ordinary**	100
USA Real Estate Funding LLC*	Property investment	United States[3]	Ordinary**	100
Bradford IM Westmont Venture LLC*	Property development	United States[3]	Ordinary**	50
IM Kensington MG LLC*	Property development	United States[3]	Ordinary**	50
IM Kensington Residential MG LLC*	Property investment	United States[3]	Ordinary**	50
I M Properties (Illinois 7) LLC*	Dormant	United States[3]	Ordinary**	100
I M Properties (Illinois 8) LLC*	Dormant	United States[3]	Ordinary**	100
I M Properties (Illinois 9) LLC*	Dormant	United States[3]	Ordinary**	100
I M Properties (Illinois 10) LLC*	Dormant	United States[3]	Ordinary**	100
I M Properties (Illinois 11) LLC*	Dormant	United States[3]	Ordinary**	100
I M Properties (Illinois 12) LLC*	Dormant	United States[3]	Ordinary**	100
IM Properties (Wisconsin 1) LLC*	Holding company	United States[3]	Ordinary**	100
IM Brookfield Venture LLC*	Property investment	United States[3]	Ordinary**	100
IM Brookfield WI LLC*	Holding company	United States[3]	Ordinary**	100
Brookfield Corners LLC*	Property investment	United States[3]	Ordinary**	100
Brookfield Residential LLC*	Property investment	United States[3]	Ordinary**	100
Brookfield Parking LLC*	Property investment	United States[3]	Ordinary**	100
Brookfield Corners II LLC*	Property investment	United States[3]	Ordinary**	100
Brookfield Corners Hospitality LLC*	Property investment	United States[3]	Ordinary**	100
Premier Parcel (Corners) LLC	Property investment	United States[3]	Ordinary**	100
Newfield Holdings LLC*	Property investment	United States[3]	Ordinary**	100
IM Kensington Developments LLC*	Property development	United States[3]	Ordinary**	50
IMKD1 LLC*	Property development	United States[3]	Ordinary**	50
IMKD2 LLC*	Property development	United States[3]	Ordinary**	50
IMKD3 LLC*	Property development	United States[3]	Ordinary**	50
IMKD4 LLC*	Property development	United States[3]	Ordinary**	50
IMKD5 LLC*	Property development	United States[3]	Ordinary**	50
IMKD6 LLC*	Property development	United States[3]	Ordinary**	50
IMKD7 LLC*	Property development	United States[3]	Ordinary**	50
IMKD8 LLC*	Property development	United States[3]	Ordinary**	50
I.M. Properties (Australia) Pty Ltd	Holding company	Australia[5]	Ordinary	100
I.M. Duporth Pty Ltd*	Property development	Australia[5]	Ordinary	100
Spitfire Bespoke Homes Ltd	Property development	England & Wales[1]	Ordinary	100
Spitfire Properties (Newhall) Ltd*	Property development	England & Wales[1]	Ordinary	100
Spitfire Homes (Daventry) Ltd	Dormant	England & Wales[1]	Ordinary	100

17 Subsidiary undertakings *continued*

Title	Principal activity	Country of incorporation	Class of share	% held
Spitfire Homes (Moreton) Ltd	Dormant	England & Wales[1]	Ordinary	100
Spitfire Homes (Ombersley) Ltd	Dormant	England & Wales[1]	Ordinary	100
Spitfire Homes (Radcliffe) Ltd	Dormant	England & Wales[1]	Ordinary	100
Spitfire Homes (Wolston) Ltd	Dormant	England & Wales[1]	Ordinary	100
I.M. Properties Investment Ltd	Property investment and development	England & Wales[1]	Ordinary	100
I.M. Properties (Logistics) Ltd*	Property investment	England & Wales[1]	Ordinary	100
I.M. Properties (Abbey) Ltd*	Property investment	England & Wales[1]	Ordinary	100
I.M. Properties (Longton) Ltd*	Property investment	England & Wales[1]	Ordinary	100
I.M. Properties (WHB) Ltd*	Property investment	England & Wales[1]	Ordinary	100
I.M. Properties (BVP 1) Ltd*	Property investment	England & Wales[1]	Ordinary	100
I.M. Properties (Coleshill) Ltd*	Property Investment	England & Wales[1]	Ordinary	100
IM Properties Investments HSBC 2 Ltd*	Property Investment	England & Wales[1]	Ordinary	100
I M Properties Residential Limited	Property Investment	England & Wales[1]	Ordinary	100
IMP Investments Limited*	Property Investment	England & Wales[1]	Ordinary	100
IMP Investments RBS Ltd*	Property Investment	England & Wales[1]	Ordinary	100
IMP Investments RBS 2 Ltd*	Property Investment	England & Wales[1]	Ordinary	100
IMP Investments LBG Ltd*	Property Investment	England & Wales[1]	Ordinary	100
IMP Investments SHB Ltd*	Property investment	England & Wales[1]	Ordinary	100
IMP Investments HSBC Ltd*	Property investment	England & Wales[1]	Ordinary	100
Watad (UK) Properties Limited*	Property investment	England & Wales[1]	Ordinary	100
IMP Hill Top Estates Ltd*	Property development	England & Wales[1]	Ordinary	100
Grove Asset 1 Sarl*	Property investment	Luxembourg[2]	Ordinary	100
Grove Asset 10 Sarl*	Property investment	Luxembourg[2]	Ordinary	100
I.M. Properties Development Ltd	Property investment and development	England & Wales[1]	Ordinary	100
IM Properties Hemel Limited*	Property investment and development	England & Wales[1]	Ordinary	100
IM Properties Hinckley Limited*	Property investment and development	England & Wales[1]	Ordinary	100
IMP Development Management Ltd*	Property investment and development	England & Wales[1]	Ordinary	100
I.M. Properties (BVP 2) Ltd*	Property investment and development	England & Wales[1]	Ordinary	100
IM Properties (BVP 3) Ltd*	Property development	England & Wales[1]	Ordinary	100
I M Properties Strategic Land Group Ltd	Holding company	England & Wales[1]	Ordinary	100
IM Land 1 Ltd*	Property development	England & Wales[1]	Ordinary	100
IM Land 2 Ltd*	Property development	England & Wales[1]	Ordinary	100
IM Land 3 Ltd*	Property development	England & Wales[1]	Ordinary	100
IM Land 4 Ltd*	Property development	England & Wales[1]	Ordinary	100
IM Properties Bridgnorth Limited*	Property development	England & Wales[1]	Ordinary	100
I.M. Properties (Croydon) Ltd	Dormant	England & Wales[1]	Ordinary	100
I.M. Properties (Guildford 2) Ltd	Dormant	England & Wales[1]	Ordinary	100
I.M. Properties (Reading 2) Ltd	Dormant	England & Wales[1]	Ordinary	100

17 Subsidiary undertakings *continued*

Title	Principal activity	Country of incorporation	Class of share	% held
IMP Residential 2 Ltd	Property development	England & Wales[1]	Ordinary	75.2
Meaujo (Properties) PLC	Property investment and development	Scotland[4]	Ordinary	100
First Residential Investment Limited	Dormant	England & Wales[1]	Ordinary	100
IMP Residential Capital Markets Ltd	Property development	England & Wales[1]	Ordinary	100
I.M. Properties Finance Ltd	Dormant	England & Wales[1]	Ordinary	100
I.M. Properties (Maidenhead) Limited	Dormant	England & Wales[1]	Ordinary	100
BVP Residential Management Company Limited*	Dormant	England & Wales[1]	Ordinary***	100
Hinckley Park Estate Management Company Ltd*	Property investment	England & Wales[1]	Ordinary	100

*held indirectly
**no shares issued, members' interests are as set out in the LLC agreement
***no shares issued, a company limited by guarantee

Registered Office

1. The Gate, International Drive, Solihull, B90 4WA
2. 58 rue Charles Martel, L-2134 Luxembourg
3. 77W. Wacker Drive, Suite 4025, Chicago, Illinois 60601, USA
4. City Point, 65 Haymarket Terrace, Edinburgh, United Kingdom
5. Sunshine Coast, Level 3, 2 Emporio Place, 2 Maroochy Blvd, Maroochydore, QLD, 4558, Australia

18 Intangible assets

Group and company	Carbon offset instruments £'000
Cost	
At 1 January 2022	2,913
Disposals	(693)
At 31 December 2023	2,220
Impairment	
Charged in the year and at 31 December 2022	(424)
Carrying amount	
At 1 January 2022	2,913
At 31 December 2022	1,796

Carbon offset instruments are accounted for in accordance with the accounting policy set out on page 37.

19 Non-current assets

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Other debtors	-	69,294	-	69,294
	-	69,294	-	69,294

Other debtors relate to funds held in escrow that are net proceeds from a land sale in 2021. The funds will be released on fulfilment of the group's obligations under a development agreement dated March 2018. At 31 December 2022 the balance has been reclassified as a current asset. Since the year end £58.0m has been received and the balance is due in October 2023.

20 Stocks

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Work in progress	211,452	179,475	-	-
Land held for development	37,506	26,823	-	-
	248,958	206,298	-	-

21 Debtors

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	8,172	6,532	6,665	4,960
Corporation tax recoverable	3,763	-	5,100	19,578
Amounts due from fellow group undertakings	12,027	265	306,780	292,368
Derivative financial instruments (note 24)	18,958	1,167	18,958	774
Other debtors	82,438	8,284	70,164	1,209
Prepayments and accrued income	29,167	40,402	70	54
Deferred tax asset (note 27)	191	791	3	69
	154,716	57,441	407,740	319,012

Included within group debtors is a deferred tax asset of £191,000 (2021 - £791,000) due after more than one year. Included within company debtors is a deferred tax asset of £3,000 (2021 - £69,000).

Included within Other debtors is £69,294,000 relating to funds held on escrow that are proceeds from a land sale in 2021, as set out in Note 19.

Included within Trade debtors are amounts totalling £3,390,000 (2021 - £nil) due after more than one year.

22 Creditors: Amounts falling due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans	96,610	32,149	-	-
Derivative financial instruments	326	1,052	164	914
Trade creditors	41,295	26,233	76	3,083
Other loans	131,001	151,001	-	20,000
Amounts due to fellow group undertakings	-	20,000	839,056	813,896
Corporation tax	-	396	-	-
Other creditors	38,615	45,263	15	64
Accruals and deferred income	29,835	53,206	1,820	2,148
VAT payable	6,357	12,371	6,523	12,523
	344,039	341,671	847,654	852,628

Included within Other loans in 2021 is £20.0m that was secured on the share capital of I.M. Properties Plc. The loan was repaid during the year. Further details of the Other loans are given in Note 31 to these financial statements.

23 Creditors: Amounts falling due after more than one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Loans and overdrafts	246,185	180,026	-	-
Derivative financial instruments	-	1,219	-	-
	246,185	181,245	-	-

Bank loans totalling £287.5m (2021 - £162.7m) 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 May 2023 to May 2027.

The group headed by I.M. Properties Plc operates a combined hedging policy on its bank debt against interest rate movements utilising a combination of interest rate cap and swap contracts. As at 31 December 2022 the group had hedged 65% of sterling debt and 53% of debt in total across the group worldwide (2021 - 96% and 69% respectively).

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

Borrowings	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans	287,492	162,726	-	-
Other loans	186,304	220,450	-	40,000
	473,796	383,176	-	40,000
Payable within one year	227,611	203,150	-	40,000
Payable within one to two years	130,000	109,427	-	-
Payable within two to five years	116,185	70,599	-	-

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

24 Financial instruments

	Group	
	2022 £'000	2021 £'000
Carrying amount of financial assets		
Derivative financial instruments measured at fair value through profit or loss	18,958	1,167
Debt instruments measured at amortised cost	182,184	207,896
	201,142	209,063
Carrying amount of financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	326	2,271
Financial liabilities measured at amortised cost	577,412	501,435
	577,738	503,706

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) 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 2022, if interest rates on borrowings at that date had been 100 basis points higher with all other variables held constant, post-tax profit (2021 - post-tax profit) for the year would have been £1,099,514 lower (2021 - £412,898 - 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 2022 was £151,750,000 (2021 - £111,750,000). At 31 December 2022, the fixed interest rates vary from 1.10% to 1.75% and floating rates from 0.19 % to 3.43 % (2021 - fixed interest rates vary from 1.10% to 1.75% and floating rates from 0.23% to 0.40%).

The group's derivative financial assets are measured at fair value of £18,632,000 (2021 – liability of £1,104,000) and comprise interest rate swaps and foreign exchange trades (2021 - interest rate swaps, interest rate caps and foreign exchange trades).

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

Hedge accounting – net investment in foreign operations

The group uses foreign exchange contracts to hedge the foreign currency gains and losses arising on its investments in overseas operations. The fair value of the foreign exchange contracts is an asset of £3,354,000 (2021 - asset of £253,000) with £325,000 (2021 - £914,000) shown within financial liabilities and £3,679,000 (2021 - £1,167,000) 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 £14,412,000 (2021 - loss - £1,694,000) has been included in currency translation differences in other comprehensive income.

25 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	
	2022 £'000	2021 £'000
Amounts receivable:		
Within one year	20,323	17,839
Between one and five years	73,735	71,039
After five years	179,194	180,408
	273,252	269,286

26 Provisions for liabilities

	Group deferred taxation £'000	Company deferred taxation £'000
Balance at 1 January 2022	11,432	(69)
Credited to profit and loss	(646)	4,196
Balance as at 31 December 2022	10,786	4,127

27 Deferred taxation

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred tax liabilities	10,786	11,432	4,127	-
Deferred tax assets	(191)	(791)	(3)	(69)
Net position at 31 December 2022	10,595	10,641	4,124	(69)

The major deferred tax liabilities and assets recognised are:

Deferred tax liabilities:	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Derivative financial instruments measured at fair value	3,607	-	4,127	-
Valuation of investment properties	7,179	11,432	-	-
Total	10,786	11,432	4,127	-

Deferred tax assets:	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Derivative financial instruments measured at fair value	-	771	-	66
Accelerated capital allowances	191	20	3	3
Total	191	791	3	69

Pembleton by Spitfire Homes

27 Deferred taxation *continued*

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred tax b/f	10,641	16,114	(69)	81
Movement to profit and loss	(810)	(5,546)	4,193	(150)
Movement to other comprehensive income	764	73	-	-
Deferred tax c/f	10,595	10,641	4,124	(69)

28 Retirement benefits schemes

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

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

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

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

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

The group charge for all schemes for the period was £714,438 (2021 - £871,849). An amount of £11,883 was due to the company at the year-end (2021 - £4,382).

29 Commitments and contingent liabilities

I.M. Properties PLC has entered into a guarantee in relation to a private rental scheme in Cardiff. The maximum contractual liability in relation to the guarantee is £52.2m (2021 - £52.2m). The guarantee remains in place for the duration of the build and rectification period, which is expected to achieve practical completion in October 2023. The rectification period expires in October 2025, being 24 months from practical completion, and the guarantee remains in force throughout this period.

I.M. Properties Development Ltd has entered into a guarantee in relation to a bond facility that Spitfire Bespoke Homes Ltd have with our external bond providers (NHBC, Premier, Checkmate, LABC) of £1.9m (2021 - £1.0m) should there be any default in contracted housing activity by Spitfire Bespoke Homes Ltd.

I.M. Properties PLC and I M Property Investments (USA) LLC have entered into limited guarantees in relation to bank funding for a series of construction and development loans in the United States. As at 31 December 2022 the combined maximum exposure of these guarantees is $31.4m (2021 - $29.3m). The loans underlying the guarantees run on average for two years. The current loans will terminate between June 2023 and August 2024 where the guarantee will fall away when the loan facility is repaid and cancelled.

At 31 December 2022 the group had gross capital commitments of £153m of which £68m is covered by forward funding agreements and committed construction loans, resulting in a net commitment for the group of £85m. (2021 - £31m).

30 Share capital and reserves

	Ordinary shares of £1 each Number
Allotted, issued and fully paid:	
At 1 January 2022 and 31 December 2022	58,010

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

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

Reserves

Profit and loss reserve
Cumulative profit and loss net of distributions to owners.

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

Other reserve
Non-distributable capital reserve.

31 Related party transactions

The company is controlled by IMG Jersey Holdings Ltd 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 IMG Jersey Holdings Ltd.

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 IMG Jersey Holdings Ltd.

During the year, management fees of £473,415 (2021 - £500,465) were charged to Christian Vision. Christian Vision is a registered charity (UK registration number 02842414) formed by Lord Edmiston, his family and close associates, of which they are trustees. At the year-end amounts of £688,183 (2021 - £600,558) were due from Christian Vision.

On 19 August 2022 a charitable donation of £49,801,000 was made to Christian Vision in the form of five investment properties with a market value of £73,600,000 for which proceeds of £23,799,000 were received (2021 - a charitable donation of £20,000,000 in cash was made to Christian Vision).

The group has a US dollar denominated, unsecured loan from Lord Edmiston repayable by 31 December 2024. At the year-end £55,303,000 (2021 - £49,449,000) was due to Lord Edmiston. Interest of £2,709,845 (2021 - £2,379,887) has been charged to profit and loss on this loan in the year.

The group has a further unsecured loan from Lord Edmiston of £71,000,000 (2021 - £71,000,000). The loan is interest free and repayable on demand.

The group has a series of short-term loan facilities with the International Motors Executive Pension Scheme, of which Lord Edmiston and his close family are trustees and beneficiaries. At the year end the facilities had been repaid in full (2021 - £20,000,000 was due to the Pension Scheme). Interest of £308,767 (2021 - £952,899) has been charged to profit and loss on these facilities during the year.

One director has an interest free loan from I.M. Group Ltd, the parent company. The amount outstanding at 31 December 2022 was £941,047 (2021 - £1,237,195).

On 1 March 2021 Lord Edmiston acquired 100% of the A Ordinary shares of IMP Hill Top Estates Limited, a group company. On 22 December 2022 interim dividends totalling £4,400,000 were paid to Lord Edmiston. On 23 December 2022 a fellow director acquired 100% of the A Ordinary shares of IMP Hill Top Estates Limited. At 31 December 2022 profit of £699,673 is attributable to this non-controlling interest (2021 - £4,500,000).

On 31 December 2019 the group acquired the share capital of IMP Investments Limited for £60,001,000 which represented the book value of the investment held by IMG Jersey Holdings Ltd. At 31 December 2022 the balance remains outstanding.

32 Ultimate parent company

Following a group reorganisation on 31 December 2022, the immediate parent undertaking and controlling entity is IMG Jersey Holdings Limited, a company incorporated in Jersey. The largest and only Group of publicly available financial statements in which the results of the company are consolidated is that prepared by I.M. Properties PLC.

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

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

33 Cash generated from operations

	Group 2022 £'000	Group 2021 £'000
Profit for the year	15,442	93,834
Adjustments for:		
Tax expense recognised in profit or loss	(2,546)	25,404
Fair value losses/(gains) on investment properties and properties under construction	41,564	(5,905)
Charitable donation of investment properties	49,801	-
Rent smoothing adjustment for lease incentives	(886)	(2,584)
Fair value (gains) on derivative financial instruments	(16,636)	(10,116)
Foreign exchange (gains)/losses	(7,870)	1,225
(Gain) on disposal of investment properties	(19,293)	(37,975)
Loss on sale of subsidiary	-	1,714
Amortisation and impairment of intangible assets	424	-
Depreciation and impairment of tangible fixed assets	19	37
Interest receivable	(696)	(224)
Interest payable	15,043	13,155
Operating cash flows before movements in working capital	74,366	78,565
(Increase)/decrease in stock	(35,636)	19,731
(Increase) in trade and other debtors	(2,388)	(63,642)
(Decrease)/increase in trade and other creditors	(5,040)	65,344
Cash generated from operations	31,302	99,998

Net debt reconciliation

	At 1 January 2022 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2022 £'000
Cash at bank and in hand	91,533	(24,009)	1,993	69,517
Bank loans	(162,726)	(119,291)	(5,475)	(287,492)
Other loans	(220,450)	40,000	(5,854)	(186,304)
Derivative financial instruments	(2,271)	8,268	(6,323)	(326)
Total	(293,914)	(95,032)	(15,659)	(404,605)

33 Cash generated from operations *continued*

Non-cash movements relate to:

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

34 Disposal of subsidiary

No disposals were made in 2022. (2021 - On 9 April 2021 the group disposed of I.M. Properties (Mell Square1) Limited which was a 100% subsidiary at a loss of £1,714,000 and a net cash inflow of £1,046,000).

35 Post balance sheet events

In March 2023 the group received £58,000,000 from funds held in escrow (Note 19). A bank loan repayment of £30,000,000 was made from the funds.

In April 2023 the group has completed on a new 3-year revolving credit facility of £25,000,000.

The group has agreed to replace an existing £65,000,000 combination of term loan and RCF on similar terms, which is expected to complete by September 2023.

Additional credit facilities of £21,699,595 have been extended for 3 years by US subsidiaries.

Bourn, Coventry

improperties.co.uk
IM Properties PLC • The Gate • International Drive • Solihull • B90 4WA
Company Number 3456022

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