Chairman and Chief Executive's review 2023

I am pleased to present our accounts for the 12 months to 31 December 2023

CONSOLIDATED RESULTS

Our consolidated property portfolio, excluding Orchard Square, Sheffield (see below) was valued at £46.08 million at 31 December 2023 compared to £45.27 million on a like-for-like basis a year earlier. This increase in valuation reflects £0.78 million in capital expenditure as well as a modest valuation increase (including head leases) of £0.03 million.

Rental income for the Group (excluding sold properties and bad debt charges) increased by £0.05 million (1.9%) to £2.61 million (2022: £2.56 million). This result reflects the resilience of our assets; even in the current high interest rate environment we have achieved increased rents on many new lettings.

Rental income resilience can also be seen in our occupancy levels, which were 97.3% at year end (2022: 96.4%). Rent collection levels have similarly remained strong, with an improved 92% of Q1 2023 rents received to date compared to 90% at the corresponding time last year.

We continue to monitor our cost base following the outsourcing of our property management functions and our relocation to smaller offices. LAP's overheads were £0.4 million (15%) lower than in 2022.

LAP PROPERTY ACTIVITIES

Industrial

Industrial constitutes 27% of our investment property portfolio by value.

At Manor Park, Runcorn, our 100,000 sq ft industrial estate, demand for units remains strong and we have continued to drive rental growth. Since the year end, we accepted a surrender of a 15,000 sq ft unit that had recently had a rent review and have relet the unit at a rent some 32% higher. This sets a useful rental tone for the rest of our units and we continue to seek opportunities to maximise rental income there.

Similarly, at Warrington our 25,000 sq ft industrial estate, we have carried out two rent reviews since the year end that have confirmed the demand for units in this location. We achieved rental uplifts of 55% and 49% over passing rent. We remain optimistic about demand at both these locations.

Essential Community Retail

Essential community retail constitutes 73% of our investment property portfolio by value.

The remainder of our portfolio has performed well and remains close to fully let. We continue to monitor each property's performance closely and will look to dispose of any properties that we consider to be ex-growth or where we identify a special buyer.

West Ealing

As previously reported, we obtained a resolution to grant planning consent for 56 flats and four retail units at the end of 2020. During 2023, we have been finalising detailed designs for the project and working with contractors and designers to improve building efficiency and maximise potential returns. Currently we are in detailed negotiations to finance construction of this development and intend to commence work in Q3 2024, targeting apartments available for sale in Q1 2026.

Purley

We have also worked with the same joint venture partner to acquire options on six semi-detached houses with large gardens in Purley, London. A planning application submitted in 2022 for 44 flats and 4 town houses was rejected in January 2023 despite being recommended for approval by the planning officer. Our appeal, although we won on design and construction matters, was ultimately unsuccessful and we are currently considering whether to submit a new application.

DEBT MANAGEMENT

In September 2023 the £12.7 million loan with QSix on Orchard Square (in Sheffield) expired. The borrower on this loan is Orchard Square Limited, our 100% owned subsidiary, and the loan is secured solely against the asset itself with no recourse to the LAP Group. In May 2023, we instructed agents to sell Orchard Square in order to repay the loan. The decision to sell was taken as the lending market for shopping centres was too weak to support a debt refinancing. Several offers were received for the centre and heads of terms reached with one buyer, who was then unable to complete. Since the loan expired, we have been working collaboratively with QSix in an arrangement whereby LAP continues to manage the centre on their behalf, pending another approach to the investment market as and when sentiment improves; QSix controls the timing of the sale and approves asset management initiatives. Consequently, we have written off our investment in Orchard Square and have recognised in the accounts the maximum loss we can incur (£1.93 million). Orchard Square Limited is no longer consolidated within the LAP Group and the loan is not shown in our year end balance sheet. This is discussed further in note 6 to the accounts.

Our £13.6 million 5-year term loan with QIB (UK) PLC is fully compliant and secured against a portfolio of retail and industrial properties. The interest rate on the loan with QIB is at the Bank of England base rate + 3.95% and there is no amortisation.

DRAGON RETAIL PROPERTIES

Since 2001, Dragon has owned a property in Clifton, Bristol let partly to Boots the Chemist and partly to Lizard Lounge, one of Bristol's best-known nightclubs. Dragon's loan of £0.95 million from Santander originally expired in September 2020, but has been extended to July 2024 and paid down to £0.8 million subsequent to the year end. Santander has indicated that it is willing to provide a new term loan, has recently completed a valuation, and we expect to complete this in the near future.

BISICHI PLC

For 2023, Bisichi plc, our 41.6% owned subsidiary, made a profit before interest, tax, depreciation and amortisation (EBITDA) of £3.4 million (2022: £40 million) and an operating profit before depreciation, fair value adjustments and exchange movements (Adjusted EBITDA) of £2.6 million (2022: £39.4 million).

During 2022, Bisichi benefited from significantly higher prices of Free on Board (FOB) coal from Richards Bay Coal Terminal (API4 price). However, during 2023, the weekly API4 price averaged only US$120 compared to US$273 in 2022. In addition to the weaker international coal price, constraints on transporting coal for export on the South African rail network, which were largely beyond Bisichi's control, significantly impacted export sales during the period. Due to the lack of available rail capacity, Bisichi only exported 134,000 metric tonnes in 2023, roughly half the 262,000 metric tonnes sold in 2022 and an even lower percentage of the 320,000 metric tonnes exported in 2021.

Limited rail capacity in turn had a further impact on earnings during the period, as coal allocated for export was eventually sold into the domestic market at prices that were significantly lower than the export price achievable by rail through Richards Bay. Transnet, the South African state rail operator, and the wider South African coal industry are working hard and collectively to implement measures to increase rail capacity. Bisichi is pleased to report that in 2024, to date, there has been an improved performance in railed coal export volumes compared to the same period in 2023.

Bisichi remains optimistic that the measures, once fully implemented, will have a significantly positive impact on both the export and domestic prices achievable for its coal.

At Black Wattle, Bisichi's South African coal mining operation, difficult mining conditions impacted profitability during the period. During the year, Bisichi achieved production of 354,000 metric tonnes (2022: 301,000 metric tonnes) in the first half of the year and 453,000 metric tonnes (2022: 523,000) in the second half of the year. For the majority of 2023, geological issues reduced production from the opencast mining area as well as increasing related mining and blasting costs. In order to mitigate these issues, the mine opened a lower cost second mining area in the third quarter of 2023. Since the commencement of this new mining area, Bisichi has seen a significant improvement in mining production and lower operating costs and expects the improved performance at Black Wattle to continue throughout 2024.

The lower coal production levels at Black Wattle in 2023 had a knock-on effect on overall levels of coal processed at Sisonke Coal Processing. Bisichi sold 1.031 million metric tonnes during the year compared to 1.287 million metric tonnes in 2022. The decrease in Bisichi's mining revenue during the period to £49.3 million (2022: £95.1 million) can mainly be attributed to the lower prices achievable for coal and the lower overall quantity of coal sold, particularly into the export market. Looking forward into 2024, Bisichi is expected to continue to see the benefits, both in terms of mining cost and production, from the new mining area at Black Wattle.

Bisichi continues to work closely with Vunani Mining, its Black Economic Empowerment (BEE) partner in Black Wattle and Sisonke Coal processing, to be responsible stewards of its legacy coal operations, taking into account the climate related risks outlined in our climate report and the impact these risks may have on all our stakeholders.

We are pleased to include in our annual report our climate change report on page 12. Bisichi's operations contribute over 97% of our CO_2 emissions and are the operations on which we have focused in this report. Bisichi recognises that climate change represents one of the most significant challenges facing the world today and supports the goals of the Paris Agreement and the UN Framework Convention on Climate Change.

While we remain confident in Bisichi's ability to achieve significant value from its South African operations, the Company is committed to diversifying its future business activities into areas other than coal. Bisichi is continually looking at alternative independent mining and renewable energy related opportunities, as well as new opportunities to add to the existing UK property investment portfolios.

In the UK, Bisichi saw its rental revenue from its retail property portfolio improve during 2023. Overall, Bisichi billed revenue from its directly owned property portfolio of £1.3 million (2022: £1.1 million) during the year. In light of the challenging year, the directors of Bisichi recommended a final dividend of 4p (2022: 12p, including special dividend) per share, of which LAP would receive £0.2 million. This would take the total dividends per share for the year to 7p (2022: 22p) if approved by its shareholders.

Finally, we would like to thank employees, advisers and stakeholders for their ongoing efforts and support.

John Heller,
Chairman and Chief Executive

29 April 2024