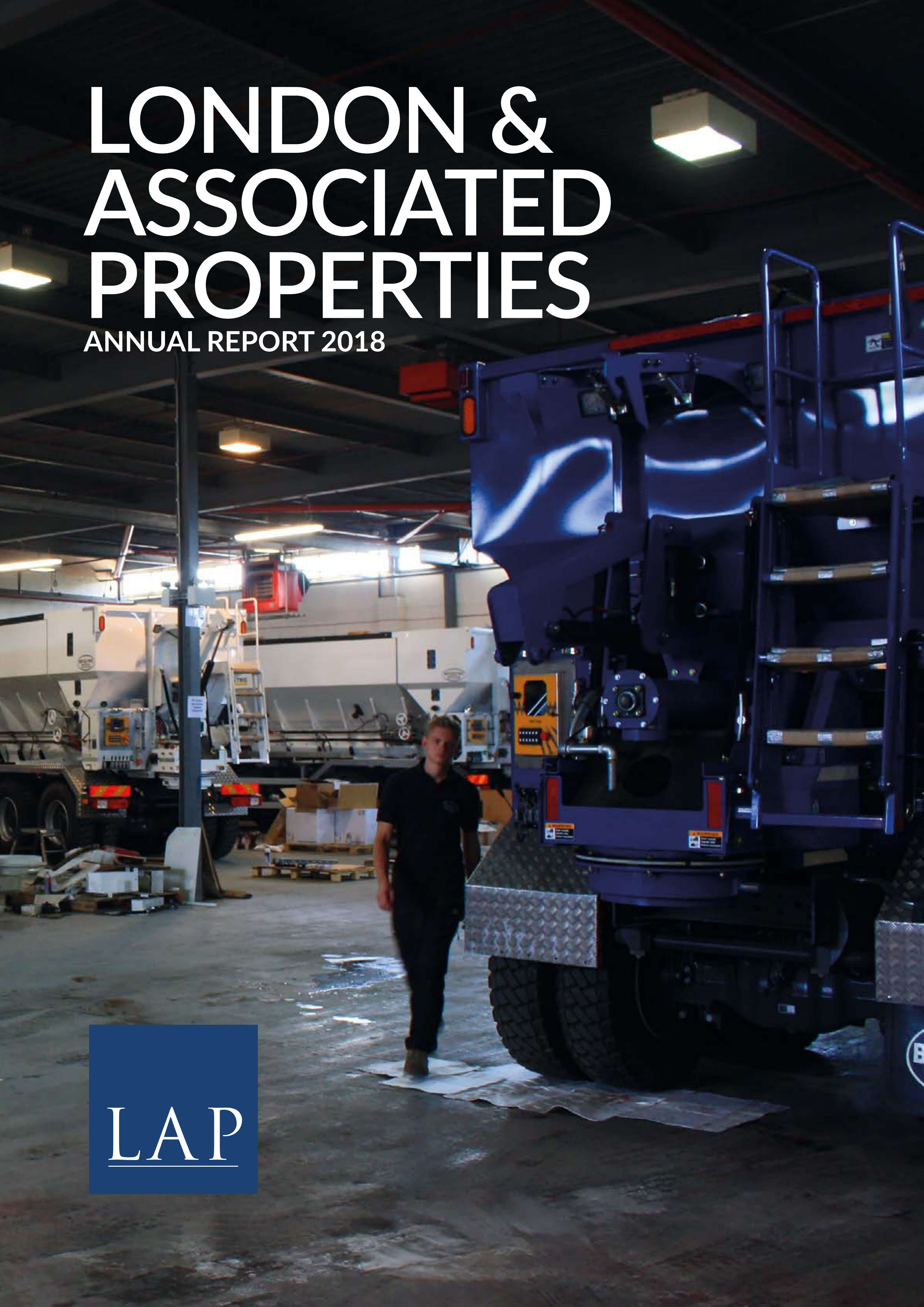
LONDON & ASSOCIATED PROPERTIES

ANNUAL REPORT 2018



LAP

Contents

Financial calendar

Annual General Meeting
12 June 2019

Announcement of half year results to 30 June 2019
Late August 2019

Payment of final dividend for 2018 (if approved)
13 September 2019

Announcement of annual results for 2019
Late April 2020

OVERVIEW

LAP at a glance

London & Associated Properties PLC ("LAP") is a main market listed group which invests in industrial and retail property in the UK while also managing property assets for institutional clients. LAP owns and/or manages £196 million of property investments. As a property company we look to create environments where tenants can thrive.

The Group also holds a substantial investment in Bisichi Mining PLC, which operates coal mines in South Africa and owns UK property investments. In accordance with IFRS 10 the results of Bisichi have been consolidated in the group accounts.

FINANCIAL HIGHLIGHTS

Fully diluted net assets per share

50.83p

2017: 53.74p

IFRS net assets

£55.7m

2017: £56.7m

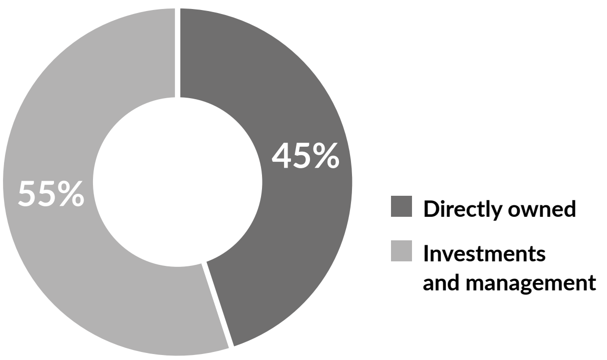
Properties portfolio valuation*

£196m

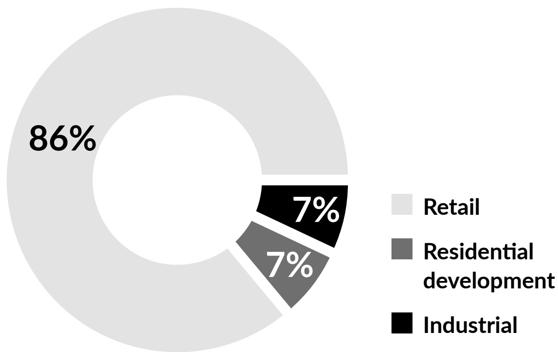
2017: £222m

*Including properties under management, investment properties, assets held for sale and property inventory.

OVERALL PORTFOLIO SPLIT



GROUP PORTFOLIO BY SECTOR



	KEY PROJECTS	HIGHLIGHT
■ Directly owned	• Kings Square, West Bromwich • West Ealing development • Runcorn Manor Park Industrial Estate • Orchard Square, Sheffield	New asset management activities at Orchard Square, Sheffield Ealing property acquired (jointly with Bisichi) for development in May 2018 Runcorn Industrial portfolio acquired in October 2018
■ Investments and management	• Kingsgate Centre, Dunfermline • The Rushes Centre, Loughborough • The Vancouver Quarter Centre Kings Lynn	Co-investment with Oaktree Capital Management and manage three of their shopping centres
Coal production	• In South Africa, Black Wattle produced 1.32 million metric tonnes of Run of Mine Coal in 2018 (2017: 1.30 million metric tonnes)	

Chairman's statement and Chief Executive's review 2018

I am pleased to present our accounts for the 12 months to 31st December 2018.

As shareholders will be aware, 2018 has been a year in which retailing and the retail property markets have faced unprecedented change and challenge. The UK's macroeconomic environment has affected consumer spending adversely, particularly for higher value or discretionary goods. At the same time, pressures such as high business rates and greater online sales, have impacted on the type and number of stores retailers require.

The proliferation of retail insolvencies witnessed in 2018, which has continued unabated into 2019, has led to significant numbers of vacant units and has impacted negatively on rental levels and increased incentives required by retailers. In turn this has led, inevitably, to a decline in retail property values across the board.

The increasingly difficult retail environment endorses our 2017 decision to sell Brixton Markets for £37.25 million. We received £20.5 million in cash net of debt in April 2018. This cash has all been allocated or deployed away from the retail property sector and into non-retail property with greater potential for future growth through asset management or development opportunities.

CONSOLIDATED RESULTS

Group (including Bisichi and Dragon) net assets at the year-end were £55.7 million (2017: £56.7 million).

As stated above market sentiment towards retail property is very negative. Our portfolio, while still generating good returns, has been marked down further by valuers. This has meant that the total net assets of LAP Group (including our net interest in Bisichi) have moved downwards, resulting in the net asset value per share declining to 50.83p from 53.74p last year.

Total property assets owned by LAP, Bisichi and other companies in which LAP has a financial interest amounted to £196 million (2017: £222 million).

Group profit after valuation movements and before taxation for the year was £1.27 million (2017: £11.28 million). Figures for the previous year benefited materially from a £9.37 million uplift in property values due almost entirely to the Brixton sale and therefore are not directly comparable. A full breakdown of group income, cash flow and result by sector is included in the financial review and in the segmental analysis in Note 1 to the financial statements.

DEBT MANAGEMENT

On 30th June 2019, our five-year facilities with Santander and Europa Mezzanine expire. The total outstanding is £28.3 million, secured against Orchard Square in Sheffield and the Tanyard Shopping Centre in Wickersley, South Yorkshire. Shareholders will appreciate that this is a difficult time to borrow against retail property. However, we have engaged actively with both lenders who have indicated that they will work with us, either to refinance the loans or to facilitate a handover to a new lender. We have started marketing the loans and feedback to date is reasonably positive. However, there are no guarantees that we will be able to refinance on terms that enable us to maintain the current level of net cash flow or at all.

Importantly, both the Santander and Europa loans are non-recourse to the balance sheet of LAP PLC. These two properties are included in our balance sheet at an aggregate value of £36.65 million.

We refinanced the remaining £3 million of the Prudential debenture which expired in August 2018 with a £3.93 million 10-year loan facility (with a 5-year mutual break option) from Metro Bank, a new lender to the Group.

The loan to value covenant for Metro Bank is 65%, with amortisation based on a 20-year repayment profile. No hedging was required, and the new loan will deliver debt service savings of £0.2 million per annum.

LAP PROPERTY ACTIVITIES

Runcorn

The most significant purchase was the Manor Portfolio in Runcorn, Cheshire, which was acquired in October 2018 for £6.5 million in cash, including costs. This portfolio comprises nine industrial/warehousing units, fully let to eight tenants producing £0.6 million per annum, located in the heart of Runcorn's logistics/warehousing area.

We believe our existing skill-set, built up over many years of managing multi-let retail assets, is just as relevant to multi-let industrial assets. We were particularly attracted to this property by the relatively low rents of just over £4 per sq. ft, and I am pleased to say we have engaged actively with the tenants and remain confident that we can drive this level upward over the medium term. It remains fully let with the exception of one third of one unit on which we negotiated a surrender from the incumbent tenant and is now under offer at a higher rent.

Ealing

In October 2018 we completed the £5.7 million acquisition of a mixed-use development site in West Ealing, London, before acquisition and subsequent development costs. This acquisition has been undertaken in a joint venture with Bisichi Mining Plc and Metroprop Ltd, an established property developer.

LAP and Bisichi have each contributed an initial equity investment of £1.0 million for a combined 90% stake in the joint venture. The balance of £3.5 million was provided by Paragon via a short-term investment loan. The interest rate is 7.0% per annum and currently the interest is being rolled up. This loan will be refinanced with a development loan when we are in a position to develop the site. We do not anticipate that we will need to invest further equity into the transaction.

The site currently comprises five shops, of which one is vacant, and a service yard. The four let shops provide £0.14 million per annum which is sufficient to cover our operating costs as we prepare our planning application. We are looking to develop 55 flats. Initial responses from the Local Authority have been positive and we look forward to updating shareholders in due course.

Orchard Square, Sheffield

In view of market sentiment towards shopping centres and the size of this asset in relation to our portfolio, we have decided that it no longer fits our longer-term criteria for an investment property held to generate capital growth. Accordingly, we have decided to treat it as realisable inventory in our property dealing division. We are underway on a series of asset management initiatives and developments, more fully described below, and it is our intention to dovetail the sale of this asset with completion of those projects.

We remain convinced of the enduring strength of Orchard Square. This has been evidenced by the strong lease renewals we have achieved over the last 12 months, where rents have proven to be relatively resilient. Despite market sentiment we are renewing units let at a previous combined total rent of £0.37 million at new annual rents of £0.31 million.

We are exploring the opportunities for creating experiential alternative uses for some units, including restaurants and bars. We believe that this will increase the marketability of Orchard Square, by helping to reposition the Centre and make it more attractive to younger shoppers as well as increasing the amount of time customers spend there.

During the course of the year River Island, which pays an annual rent of £0.5 million, exercised a break clause on its lease. At the time negotiations were already underway with a third party to take a lease on the entire store.

We have agreed lease documentation with the new occupier, but have not yet exchanged contracts. There remains, therefore, a risk that this unit might become vacant. However, we are confident that it is one of the best units in the city and will not remain empty for long even if the current potential occupier were to pull out for any reason.

Kings Square, West Bromwich

Kings Square achieved full occupancy during the year and continues to trade strongly for the discount retailers of the town. We let two units to an independent coffee shop and a restaurant thus considerably improving the leisure offer. Additionally, lease renewals at the Centre demonstrate that tenants trade well there. We believe that this sort of value-orientated shopping centre is cushioned to a certain extent from the general problems affecting retailing in the UK.

Other

The rest of our portfolio, which is focused on community and value retailing, trades well. The LAP Group Portfolio has a void level of 7.24% (2017: 2.06%). This increase is almost entirely accounted for by the two properties where tenants did not renew at lease expiry.

We have bid for a number of properties during the year to diversify further away from retail. Although we were not successful on those occasions, we remain determined not to overpay.

Currently, we are in the process of selling a further small retail asset from our portfolio, and we will report to shareholders once the deal has completed.

HARROGATE JOINT VENTURE

Our Harrogate joint venture with Oaktree Capital Management, which owns three shopping centres in Dunfermline, Kings Lynn and Loughborough, continues to trade satisfactorily. We have been able to negotiate a number of new leases and lease renewals across all three centres and are coming to the completion of a development of a new 15,000 sq. ft. store for H&M at Kings Lynn.

DRAGON RETAIL PROPERTIES LTD

Dragon, a 50:50 joint venture with Bisichi Mining, completed a lease renewal with Boots, the principal tenant at its shop in Clifton, Bristol, on a new 10 year lease with a five-year break clause at £93,000, an increase of 1.1%.

BISICHI MINING PLC

For the year ended 31st December 2018, Bisichi achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of £8.6million (2017: £3.7 million) and operating profit before depreciation, fair value adjustments and exchange movements (Adjusted EBITDA) of £9.1 million (2017: £5.8 million).

These results are attributable mainly to the strong performance from Black Wattle, Bisichi's South African coal mining operation, which continued to benefit from the infrastructure improvements to the coal washing plant that were reported in 2017. These improvements have enabled the group to wash at consistent levels of production and achieve an increased overall yield compared to prior years. In addition, the mine was able to benefit from significantly improved coal prices achievable for its coal during the year.

Looking forward, although global economic factors have impacted coal demand in some international markets, the demand for South African coal has continued to remain strong and Bisichi expects overall levels of future production from Black Wattle to remain consistent with 2018. Accordingly, it remains confident about the ability of its South African coal mining operations to contribute strongly to Group earnings and cash generation for the foreseeable future.

At the end of 2018 Black Wattle completed an agreement to acquire additional coal reserves. The new reserves have an expected run of mine tonnage of 1.9 million metric tonnes and are contiguous to Black Wattle's operations. The acquisition is subject to local regulatory approval and is in line with the group's strategy of actively seeking new opportunities to extend the life of mines within its existing mining operations.

Bisichi's UK retail property portfolio, which is managed by London & Associated Properties PLC for a fee, continues to perform well, with average rental yields for the portfolio remaining stable during the year.

DIVIDEND

We are pleased to recommend a final dividend of 0.18p, an increase of over 2.9% on the 2017 dividend of 0.175p.

Finally, we would like to thank all of our directors, staff and advisers for their hard work during the year. The retail property world is very challenging and is likely to remain so for the foreseeable future. However, we believe LAP is well placed to meet these challenges and we therefore remain cautiously optimistic for the year ahead.

Sir Michael Heller,
Chairman

John Heller,
Chief Executive

30 April 2019

STRATEGIC REPORT

Financial and performance review

The financial statements for 2018 have been prepared to reflect the requirements of IFRS 10. This means that the accounts of Bisichi Mining PLC (a London Stock Exchange main market quoted company – BISI) ("Bisichi"), have been consolidated with those of LAP.

Bisichi continues to operate as a fully independent company and currently LAP owns only 41.52% of the issued ordinary share capital. However, because related parties also have shareholdings in Bisichi and there is a wide disposition of other shareholdings, LAP is deemed under IFRS 10 to have effective control of Bisichi for accounting purposes. This treatment means that the income and net assets of Bisichi are disclosed in full and the value attributable to the "non-controlling interest" (58.48%) is shown separately in the equity section as a non-controlling interest. There is no impact on the net assets attributable to LAP shareholders.

Dragon Retail Property Limited ("Dragon") and West Ealing Projects Limited (West Ealing), are both 50:50 joint ventures with Bisichi and are also consolidated. Shareholders are aware that LAP is a property business with a significant investment in a listed mining company. The effect of consolidating the results, assets and liabilities of the property business and the mining company make the figures complex and less transparent. Property company accounts are already subject to significant volatility as valuations of property assets as well as derivative liabilities can be subject to major movements based on market sentiment. Most of these changes, though, have little or no effect on the cash position and it is, of course, self-evident that cash flow is the most important factor influencing the success of a property business. We explain the factors affecting the property business first, clearly separating these from factors affecting the mining business which we do not manage. Comments about Bisichi (the mining business) are based on information provided by the independent management of that company.

REVENUE RECOGNITION RESTATEMENT – PRESENTATION OF REVENUE & COSTS

During the review of revenue recognition in South Africa a revenue recognition error was identified in respect of the treatment of transport and loading costs to deliver export coal under certain export agreements. The costs in prior periods, have been recorded as a deduction against revenue rather than being shown as an operating cost.

Although this impact has been correctly accounted for in the current year, the equivalent restatement in the prior year is to increase both revenue and operating costs by £2,891,000. There is no profit or net assets impact as a result of the prior year restatement. In prior year figures within the report where there has been an impact from the restatement, the column is reflected with the word "Restated".

LOANS

LAP's debt (excluding Bisichi, Dragon and West Ealing which are detailed separately below), consists of a £28.3 million facility expiring in July 2019, a debenture of £10 million repayable in August 2022 and a £3.9 million facility expiring in 2028. A debenture of £3 million was repaid in April 2018. As in previous years, all loans and debentures are secured on core property and cash deposits and are covenant compliant.

LAP's five year £21.5 million non-recourse loan from Santander, as senior lender, is supported by a £6.8 million loan from Europa Capital Mezzanine Limited, as mezzanine lender. The senior loan facility is fully hedged and at the year end, 81% of the loan was swapped at a rate of 2.25% and the remaining 19% was covered by an interest cap at 2.25%. This gives a blended current interest rate of 5.33% for the total £28.3 million debt.

CASH FLOW

The operating cash flow and net cash balances at the year-end were as follows:

CASH FLOW FROM OPERATIONS	**2018 £'000**	2017 £'000
LAP	**(5,675)**	2,708
Bisichi	**7,520**	7,593
Dragon	**76**	(14)
Group total	**1,921**	10,287

Note: The figures exclude inter-company transactions.

NET CASH BALANCES	**2018 £'000**	2017 £'000
LAP	**11,345**	2,109
Bisichi	**5,686**	4,065
Dragon	**89**	92
Group total	**17,120**	6,266

Our investment with Oaktree Capital Management (HRGT Shopping Centres LP), remains profitable and generates management fees (2018: £0.46 million and 2017: £0.46 million) for our wholly owned subsidiary (London & Associated Management Services Limited). We also received £nil (2017: £0.1 million) as a partial repayment of our loan.

Significant cash income and expenditure for LAP in the year includes:

- The sale of Brixton Markets for £37.25 million, before costs, in April 2018
- The repayment of £15.9 million of bank debt
- The replacement of a £3 million 11.6 % fixed interest debenture with a £3.9 million 10 year term loan at 2.95% above base rate
- The acquisition of an industrial portfolio for £6.5 million

Cash balances at 31 December 2018 have been allocated towards future profit generating activities, including the Group's continued sector diversification.

INCOME STATEMENT

The segmental analysis in Note 1 to the financial statements gives more detail but the tables below give a clearer summary of the Group results.

RESULTS BEFORE REVALUATIONS AND NON-CASH MOVEMENTS	2018 £'000	2017 £'000
LAP	**(2,818)**	(130)
Bisichi	**6,526**	3,536
Dragon	**29**	(29)
Group total	**3,737**	3,377

Note: The figures exclude inter-company transactions.

Bisichi's improvement of £3.0 million is explained under Bisichi Mining PLC, in this review.

The Group property portfolio, including assets held for sale and inventory, decreased from £114.46 million to £88.27 million.

During the year the Group sold Brixton Markets held at a value of £36.44 million, acquired an industrial property in Runcorn at a cost of £6.54 million and acquired and commenced a residential development, through its West Ealing joint venture, at a cost of £6.26 million.

The Group's property portfolio decreased on revaluation by £2.57 million a 2.8% decrease.

PROFIT/(LOSS) BEFORE TAXATION	2018 £'000	2017 £'000
LAP	**(4,723)**	9,614
Bisichi	**6,142**	1,696
Dragon	**(151)**	(32)
Group profit before taxation	**1,268**	11,278

Note: The figures exclude inter-company transactions.

BALANCE SHEET

LAP has group net assets of £55.7 million (2017: £56.7 million) (see table below).

Net assets attributable to equity shareholders of the Company at the year-end were 50.83p per share (2017: 53.74p per share).

2018	LAP ORIGINAL GROUP £'000	BISICHI MINING PLC GROUP £'000	DRAGON RETAIL PROPERTIES £'000	LAP NET ASSETS £'000
Investment properties	35,011	13,230	2,450	50,691
Other fixed assets	106	8,531	22	8,659
Other non current assets	1,748	35	-	1,783
Inventory–property	38,556	-	-	38,556
Assets held for sale	2,285	-	-	2,285
Other current assets	13,292	17,511	272	31,075
Current liabilities	(38,180)	(16,718)	(73)	(54,971)
Non-current liabilities	(16,666)	(4,529)	(1,197)	(22,392)
Net assets	**36,152**	**18,060**	**1,474**	**55,686**
2017				
Investment properties	65,231	13,397	2,630	81,258
Other fixed assets	116	8,613	6	8,735
Other non current assets	1,748	51	-	1,799
Assets held for sale	36,441	-	-	36,441
Other current assets	4,824	11,612	122	16,558
Current liabilities	(8,588)	(8,844)	(123)	(17,555)
Non-current liabilities	(59,377)	(9,858)	(1,291)	(70,526)
Net assets	**40,395**	**14,971**	**1,344**	**56,710**

BISICHI MINING PLC

Although the results of Bisichi Mining PLC have been consolidated in these financial statements, the Board of LAP has no direct influence over the management of Bisichi. The comments below are based on the published accounts of Bisichi.

The Bisichi group results are stated in full in its published 2018 financial statements which are available on its website: www.bisichi.co.uk.

The Bisichi group increased its EBITDA to £8.6 million (2017: £3.7 million) mainly due to increased operating profits before depreciation from the mining activities of £8.2 million (2017: £4.9 million). Depreciation in the year relating to mining activities increased to £2.1 million (2017: £1.8 million). Profit for the year after tax was £6.0 million (2017: £1.5 million). Bisichi has two core revenue streams – investment in retail property in the UK and coal mining in South Africa.

The increase in operating profit was mainly attributable to the higher prices achieved for coal and increased mining production at Black Wattle offsetting the impact of the higher mining and washing costs.

The UK retail property portfolio was valued at the year end at £13.05 million (2017: £13.25 million). The property portfolio is actively managed by LAP and generated rental income of £1.1 million in the year (2017: £1.1 million).

A R100million bank overdraft facility, held by a subsidiary of Bisichi with Absa Bank Limited at the year end, was replaced in January 2019 by a new structured trade finance facility for R100million. The new trade facility is renewable annually at 25 January and is secured against inventory, debtors and cash that are held in the group's South African operations.

In the UK, the Bisichi group signed a £6 million five-year term loan with Santander in December 2014. This loan is secured against UK investment property. No covenants were breached during the year.

Cash flow generated from operating activities decreased compared to the prior year to £4.8 million (2017: £7.3 million). The improved operating profit during the year of £6.5 million (2017: £3.8 million) was offset by an increase in income tax paid of £2.28 million (2017: £0.01 million) both as a result of the high profitability of Bisichi's South African mining operations. In addition, cashflow generation from operating activities was impacted by a cashflow outflow from trade receivables of £0.9 million (2017: inflow of £0.9 million), as a result of an increase in the trade receivables balances of South African domestic coal customers, and a cashflow decrease from inventories of £0.8 million (2017: increase of £0.9 million), mainly as a result of reduced export coal sales from our South African mining operations in the last quarter of 2018 due to temporary weather related issues at Richards Bay Coal Terminal.

The Bisichi group's financial position remains strong. Its net assets at 31st December 2018 were £20.1 million (2017: £17.7 million). The group expects to continue achieving significant value in 2019 from its existing mining operation. In addition, Bisichi seeks to expand its operations in South Africa through the acquisition of additional coal reserves.

DRAGON RETAIL PROPERTIES LIMITED

Dragon is a UK property investment company. The company has a Santander bank loan of £1.16 million secured against its investment property and is covenant compliant. It paid management fees of £72,000 (2017: £84,000) split equally to the two joint venture partners. Its results continue to be near breakeven after taxation. Dragon has net assets of £1.5 million (2017: £1.4 million).

WEST EALING PROJECTS LIMITED

West Ealing is a 50:50 joint venture between LAP and Bisichi created with the purpose of delivering a residential development, through its 90% owned subsidiary. West Ealing is included within the LAP segment as it is not intended to be a long term activity.

During the year West Ealing's subsidiary acquired a property and has commenced development activities. Costs incurred to 31 December 2018 are £6.26 million and there is a development loan of £3.46 million, described further in note 18.

ACCOUNTING JUDGEMENTS AND GOING CONCERN

The most significant judgements made in preparing these accounts relate to the carrying value of the properties, investments and interest rate hedges. The hedges have been valued by the hedge provider. The Group uses external property valuers to determine the fair value of most of its properties.

Under IFRS10 the Group has included Bisichi Mining PLC in the consolidated accounts, as it is deemed to be under the effective control of LAP and has therefore been treated as a subsidiary.

The Directors exercise their commercial judgement when reviewing the Group's cash flow forecasts and the underlying assumptions on which the forecasts are based. The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman and Chief Executive's Statement and in this review. In addition, the Directors consider that Note 20 to the financial statements sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk, liquidity risk and other risks.

With a quality property portfolio comprising a majority of tenants with long leases supported by suitable financial arrangements, the Directors believe the group is well placed to manage its business risks successfully, despite the continuing uncertain economic climate. The Directors therefore have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

TAXATION

The LAP Group tax strategy is to account for tax on an accurate and timely basis. We only structure our affairs based on sound commercial principles and wish to maintain a low tax risk position. We do not engage in aggressive tax planning.

The LAP Group (excluding Bisichi and Dragon) has unused tax losses and deductions with a potential value of £7.2 million (2017: £10.2 million) of which only £0.9 million (2017: £4.7 million) has been recognised in the 2018 financial statements. As LAP returns to profit, these tax losses and deductions should be utilised.

DIVIDENDS AND FUTURE PROSPECTS

The directors are proposing a final dividend of 0.18p per ordinary share payable in September 2019.

The Group remains cautiously confident about its trading and future outlook and it continues to look at ways in which it can further reduce its overhead costs and interest payable, while it stabilises its property income together with seeking suitable growth opportunities.

Principal activities, strategy & business model

The LAP Group's principal business model is the investment in and management and development of industrial and retail property through direct investment and joint ventures, where we manage the property ourselves and on behalf of our partners.

The principal activity of Bisichi Mining PLC is coal mining in South Africa. Further information is available in its 2018 Financial Statements which are available on their web site: www.bisichi.co.uk

STRATEGIC PRIORITIES ARE	OUR STRATEGY IS
MAXIMISING INCOME	By achieving an appropriate tenant mix and shopping experience we can increase footfall through the centres, hence increase tenant demand for space and enhance income.
CREATING QUALITY PROPERTY	We look to improve the consumer experience at all our centres by achieving an appropriate tenant mix and a vibrant trading environment through investment activity, enhancement, refurbishment and development.
CAPITAL STRENGTH	We operate within a prudent and flexible financial structure. Our gearing policy provides financial stability whilst giving capacity and flexibility to look for further investments.
MAINTAIN THE VALUE OF INVESTMENT IN BISICHI	By encouraging the Bisichi management to maximise sustainable profits and cash distributions.

Risks and uncertainties

DESCRIPTION OF RISK	DESCRIPTION OF IMPACT	MITIGATION
ASSET MANAGEMENT:		
TENANT FAILURE	Financial loss.	Initial and subsequent assessment of tenant covenant strength combined with an active credit control function.
LEASES NOT RENEWED	Financial loss.	Lease expiries regularly reviewed. Experienced teams with strong tenant and market knowledge who manage appropriate tenant mix.
ASSET LIQUIDITY (SIZE AND GEOGRAPHICAL LOCATION)	Assets may be illiquid and affect flexing of balance sheet.	Regular reporting of current and projected position to the Board with efficient treasury management.
PEOPLE:		
RETENTION AND RECRUITMENT OF STAFF	Unable to retain and attract the best people for the key roles.	Nomination Committee and senior staff review skills gaps and succession planning. Training and development offered.
REPUTATION:		
BUSINESS INTERRUPTION	Loss in revenue. Impact on footfall. Adverse publicity. Potential for criminal/ civil proceedings.	Documented Recovery Plan in place. General and terrorism insurance policies in place and risks monitored by trained security staff. Health and Safety policies in place. CCTV in centres.
FINANCING:		
FLUCTUATION IN PROPERTY VALUES	Impact on covenants and other loan agreement obligations.	Secure income flows. Regular monitoring of LTV and IC covenants and other obligations. Focus on quality assets.
REDUCED AVAILABILITY OF BORROWING FACILITIES	Insufficient funds to meet existing debts/ interest payments and operational payments.	Efficient treasury management. Loan facilities extended where possible. Regular reporting of current and projected position to the Board.
LOSS OF CASH AND DEPOSITS	Financial loss.	Only use a spread of banks and financial institutions which have a strong credit rating.
FLUCTUATION OF INTEREST RATES	Uncertainty of interest rate costs.	Manage derivative contracts to achieve a balance between hedging interest rate exposure and minimising potential cash calls.

Bisichi risks and uncertainties

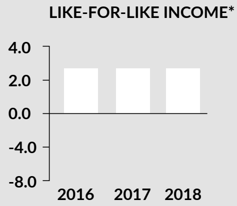
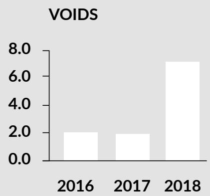
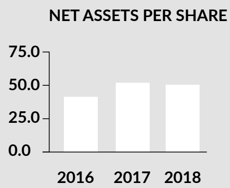
Bisichi (although it is consolidated into group accounts as required by IFRS 10) is managed independently of LAP. The risks outlined below are an abbreviated summary of the risks reported by the Directors of Bisichi to the shareholders of that Company. Full details are available in the published accounts of Bisichi (www.bisichi.co.uk).

These risks, although critical to Bisichi, are of less significance to LAP which only has a minority investment of 41.52% in the company. In the unlikely event that Bisichi was unable to continue trading, it would not affect the ability of LAP to continue operating as a going concern.

DESCRIPTION OF RISK	DESCRIPTION OF IMPACT	MITIGATION
COAL PRICES CAN BE IMPACTED MATERIALLY BY MARKET AND CURRENCY VARIATIONS	Affects sales value and therefore margins.	Forward sales contracts are used to manage value expectations.
MINING OPERATIONS ARE INHERENTLY RISKY. MINERAL RESERVES, REGULATIONS, LICENSING, POWER AVAILABILITY, HEALTH AND SAFETY CAN ALL DAMAGE OPERATIONS	Loss of production causing loss of revenue.	Use of geology experts, careful attention to regulations, health and safety training, employee dialogue to minimise controllable risks.
CURRENCY RISK	Affects realised sales value and therefore margins.	Regular monitoring and review of forward currency situation.
CASHFLOW VARIATION BECAUSE OF MINING RISKS, COMMODITY PRICE OR CURRENCY VARIATIONS	Variations can deliver significant shifts in cash flow.	UK property investments used to offset high risk mining operations.

Key performance indicators

The Group's Key Performance Indicators are selected to ensure clear alignment between its strategy and shareholder interests. The KPIs are calculated using data from management reporting systems.

STRATEGIC PRIORITY	KPI	PERFORMANCE	
MAXIMISING INCOME – LIKE FOR LIKE PROPERTY INCOME			
To increase the like-for-like income from each property year on year.	Like-for-like rental income as a percentage of the prior year rental.	The like-for-like rental income by property has remained broadly unchanged. In the continuing difficult trading environment, this is considered satisfactory. *Excluding service charges	
MAXIMISING INCOME – OCCUPANCY			
We aim to maximise the total income in our properties by achieving full occupancy.	The ERV of the empty units as a percentage of our total income.	Void levels increased to 7.24%, in the main due to development activity in Sheffield, on units that have become vacant.	
CAPITAL STRENGTH – GROWTH IN NET ASSET VALUE PER SHARE			
The net assets per share is the principal measure used by the group for monitoring its performance and is an indicator of the level of reserves available for distribution by way of dividend.	Movement in the net assets per share.	The net assets per share reduced by 2.91 pence per share (5.4%) to 50.83p.	

Corporate responsibility

SUSTAINABLE DEVELOPMENT

Bisichi's Black Wattle continues to strive to conduct business in a safe, environmentally and socially responsible manner. Some highlights of their Health, Safety and Environment performance in 2018:

- Black Wattle Colliery recorded one Lost Time Injury during 2018.
- No cases of Occupational Diseases were recorded.
- Zero claims for the Compensation for Occupational Diseases were submitted.

They continue to be compliant and make progress in terms of their Social and Labour Plan and their various BEE initiatives. A fuller explanation of these can be found in Bisichi's 2018 Financial Statements which are available on their web site: www.bisichi.co.uk

GREENHOUSE GAS REPORTING

We have reported on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for the reporting period 1st January 2018 to 31st December 2018. The emissions are detailed in Tables 1, 2 and 3 below.

We have employed the Financial Control definition to outline our carbon footprint boundary, reporting Scope 1 & 2 emissions only. Emissions from both landlord & tenant-controlled areas of LAP owned shopping centres and facilities fall within the footprint boundary. LAP has landlord-controlled areas in Kings Square, Orchard Square, Brewery Street, Shipley and Bridgend. Properties that we manage on behalf of others or are not wholly owned by LAP are excluded from our footprint boundary.

Emissions for landlord-controlled areas have been calculated based on actual consumption data collected from each shopping centre. Emissions from tenant-controlled areas have been calculated based on floor area and energy consumption benchmarks for general retail services in the UK.

We have used the ISO14046-1 Standard (2006) and guidance provided by UK's Department of Environment and Rural Affairs (DEFRA) on voluntary and mandatory carbon reporting. Emission factors were used from UK Government's GHG Conversion Factors for Company Reporting 2018[1].

As well as reporting Scope 1 and Scope 2 emissions, the regulations require that at least one intensity ratio is reported for the given reporting period. The intensity figure below shows the emissions in tCO_2e per thousand pounds revenue.

Table 1. Landlord & tenant controlled areas

	EMISSIONS SOURCE	2018	2017
Scope 1 emissions	Natural gas (tCO_2e)	169	71
	Refrigerants (tCO_2e)	0	0
Scope 2 emissions	Electricity (tCO_2e)	2,519	2,938
	Total tCO_2e	**2,688**	3,009
	Intensity ratio (tCO_2e/£thousand)	***0.514***	*0.467*

Table 2. LAP controlled areas

	EMISSIONS SOURCE	2018	2017
Scope 1 emissions	Natural gas (tCO_2e)	169	71
	Refrigerants (tCO_2e)	0	0
Scope 2 emissions	Electricity (tCO_2e)	134	176
	Total tCO_2e	**303**	247

Table 3. Tenant controlled areas

	EMISSIONS SOURCE	2018	2017
Scope 1 emissions	Natural gas (tCO_2e)	0	0
	Refrigerants (tCO_2e)	0	0
Scope 2 emissions	Electricity (tCO_2e)	2,385	2,762
	Total tCO_2e	**2,385**	2,762

1. 2018 Guidelines to DEFRA / DECC's GHG Conversion Factors for Company Reporting", Department for Environment, Food and Rural Affairs (DEFRA) and Department for Energy and Climate Change (DECC).

Table 4. Coal mining carbon footprint

	2018 CO_2E TONNES	2017 CO_2E TONNES
Emissions source:		
Scope 1 Combustion of fuel & operation of facilities	**21,348**	15,575
Scope 1 Emissions from coal mining activities	**27,428**	27,004
Scope 2 Electricity, heat, steam and cooling purchased for own use	**12,177**	11,210
Total	**60,953**	53,778
Intensity:		
Intensity 1 Tonnes of CO_2 per pound sterling of revenue	**0.0013**	0.0014
Intensity 2 Tonnes of CO_2 per pound of coal produced	**0.0462**	0.0415

Note: Bisichi has recalculated emissions from coal mining activities using a more up to date methane conversion factor; because of this, 2017 emissions from coal mining activities have been restated.

ENVIRONMENT

United Kingdom

The Group's principal UK activity is property investment, which involves renting premises to commercial businesses. We seek to provide those tenants with good quality premises from which they can operate in an efficient and environmentally friendly manner. Where possible, improvements, repairs and replacements are made in an environmentally efficient manner and waste re-cycling arrangements are in place at all the Company's locations.

South Africa

The Bisichi group's principal activity in South Africa is coal mining. Under the terms of the mine's Environmental Management Programme approved by the Department of Mineral Resource ("DMR"), Black Wattle undertakes a host of environmental protection activities to ensure that the approved Environmental Management Plan is fully implemented. A performance assessment audit was conducted to verify compliance to their Environmental Management Programme and no significant deviations were found.

EMPLOYEE, SOCIAL, COMMUNITY AND HUMAN RIGHTS

The Group's policy is to attract staff and motivate employees by offering competitive terms of employment. The Group provides equal opportunities to all employees and prospective employees including those who are disabled and operates in compliance with all relevant national legislation.

The Group believes that it is in the interest of shareholders to consider social and human rights issues when conducting business. Various policies and initiatives implemented by the Group that fall within these areas are discussed within this report.

ANTI-SLAVERY AND HUMAN TRAFFICKING

The Group is committed to the prevention of the use of forced labour and has a zero tolerance policy for human trafficking and slavery. The Group's policies and initiatives in this area can be found within the Group's Anti-slavery and human trafficking statement found on the Group's website at www.lap.co.uk.

DIVERSITY AND EQUALITY

The Board recognises the importance of diversity, both in its membership, and in the Group's employees. It has a clear policy to promote diversity across the business. The Board considers that quotas are not appropriate in determining its composition and has therefore chosen not to set targets. All aspects of diversity, including but not limited to gender, are considered at every level of recruitment. Gender diversity of the Board and the Group is set out below.

DIRECTORS, EMPLOYEES AND GENDER REPRESENTATION

At the year end the LAP Group (excluding Bisichi and Dragon), had 6 directors (6 male, 0 female), 2 senior managers (2 male, 0 female) and 23 employees (12 male, 11 female).

BISICHI MINING PLC

Bisichi Mining PLC's Group at the year end had 7 directors (6 male, 1 female), 7 senior managers (6 male, 1 female) and 246 employees (175 male, 71 female).

Detailed information relating to the Bisichi Strategic Report is available in its 2018 financial statements.

Approved on behalf of the board of directors

Jonathan Mintz
Finance Director

30 April 2019

GOVERNANCE

Directors & advisors

EXECUTIVE DIRECTORS

Sir Michael Heller MA FCA*
(Chairman)

John A Heller LLB MBA
(Chief Executive)

Anil K Thapar FCCA
(Finance Director) resigned 31 December 2018

Jonathan Mintz FCA
(Finance Director) Appointed 11 February 2019

NON-EXECUTIVE DIRECTORS

Howard D Goldring BSC (ECON) ACA†
Howard Goldring is Executive Chairman of Delmore Holdings Limited which specialises in the discretionary management of investment portfolios for pension funds, charities, family trusts and private clients. He also acts as an advisor providing high level asset allocation advice to family offices and pension schemes. He has been a member of the LAP Board since July 1992, and has almost 40 years' experience of the real estate market. He was a director of Baronsmead VCT 2 PLC from 2010-2016, and has specialised in providing many companies with investor relations support.

Clive A Parritt FCA CF FIIA#†
Clive Parritt joined the board on 1 January 2006. He is a chartered accountant with over 40 years' experience of providing strategic, financial and commercial advice to businesses of all sizes. He is a director of Jupiter US Smaller Companies plc, chairman of BG Training Limited and a member of the Performance, Audit and Risk Committee of Arts Council England. Until April 2016 he was Group Finance Director of Audiotonix Limited (an international manufacturer of audio mixing consoles). He has chaired and been a director of a number of other public and private companies. Clive Parritt was President of the Institute of Chartered Accountants in England and Wales in 2011-12. He is Chairman of the Audit Committee and as Senior Independent Director he chairs the Nomination and Remuneration Committees.

Robin Priest MA
Robin Priest joined the board on 31 July 2013. He is a senior advisor to Alvarez & Marsal LLP ("A&M") and to a major listed German real estate investment fund manager. He has more than 38 years' experience in real estate and structured finance. He was formerly Managing Director of A&M's real estate practice, advising private sector and public sector clients on both operational and financial real estate matters. Prior to joining A&M, Robin was lead partner for Real Estate Corporate Finance in London with Deloitte LLP and before this he founded and ran a property company backed by private equity. He is also a trustee of London's Oval House Theatre.

* Member of the nomination committee
† Member of the audit, remuneration and nomination committees
\# Senior independent director

SECRETARY & REGISTERED OFFICE

Jonathan Mintz FCA
24 Bruton Place
London W1J 6NE

AUDITOR

RSM UK Audit LLP

PRINCIPAL BANKERS

Santander UK plc
Abbey National Treasury Services plc
Europa Capital Mezzanine Ltd

SOLICITORS

Olswang LLP
Pinsent Masons LLP

STOCKBROKER

Stockdale Securities Limited

REGISTRARS & TRANSFER OFFICE

Link Asset Services
Shareholder Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

UK telephone: 0871 664 0300
International telephone: +44 371 664 0300
(Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate).

Lines are open between 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Website: www.linkassetservices.com
Email: enquiries@linkgroup.co.uk

Company registration number
341829 (England and Wales)

WEBSITE

www.lap.co.uk

E-MAIL

admin@lap.co.uk

Directors' report

The Directors submit their report and the audited financial statements for the year ended 31 December 2018.

STRATEGIC REPORT

A comprehensive review and assessment of the Group's activities during the year as well as its position at the year end and prospects for the forthcoming year are included in the Chairman and Chief Executive's Statement and the Strategic Report. These reports can be found on pages 2 to 11 and should be read in conjunction with this report.

ACTIVITIES

The principal activities of the Group during the year were property investment and development, as well as investment in joint ventures and an associated company. The associated company is Bisichi Mining PLC (Bisichi) in which the Company holds a 41.52 % interest. Bisichi is listed on the main market of the London Stock Exchange and operates in England and South Africa with subsidiaries which are involved in overseas mining and mining investment. The results, together with the assets and liabilities, of Bisichi are consolidated with those of LAP in accordance with the terms of IFRS 10 even though the Group only has a minority interest – under IFRS 10 the 58.48% majority interest is disclosed as a "non-controlling interest".

BUSINESS REVIEW AND POST BALANCE SHEET EVENTS

Review of the Group's development and performance

A review of the Group's development and performance can be found below and should be read in conjunction with the Strategic Report on pages 4 to 11.

Details of any post balance sheet events are disclosed in Note 29 to the financial statements.

FUTURE DEVELOPMENTS

The Group continues to look for new opportunities to acquire real estate assets where it feels it can increase value by applying its intensive management skills. At the same time, it seeks to reduce its interest payments on its loans as they expire or where opportunities arise to refinance on better terms. We also seek to improve our existing estate through the continued pursuit of asset management initiatives.

PROPERTY ACTIVITIES

The Group is a long-term investor in property. It acquires properties, actively manages those assets to improve rental income, and thus seeks to enhance the value of its properties over time. In reviewing performance, the principal areas regularly monitored by the Group include:

- **Rental income** – the aim of the Group is to maximise the maintainable income from each property by careful tenant management supported by sympathetic and revenue enhancing development. Income may be affected adversely by the inability of tenants to pay their rent, but careful monitoring of rent collection and tenant quality helps to mitigate this risk. Risk is also minimised by a diversified tenant base, which should limit the impact of the failure of any individual tenant.
- **Cash flow** – allowing for voids, acquisitions, development expenditure, disposals and the impact of operating costs and interest charges, the Group aims to maintain a positive cash flow over time.
- **Financing costs** – the exposure of the Group to interest rate movements is managed partly by the use of swap and cap arrangements (see Note 20 for full details of the contracts in place) and also by using loans with fixed terms and interest rates. These arrangements are designed to ensure that our interest costs are known in advance and are always covered by anticipated rental income.
- **Property valuations** – market sentiment and economic conditions have a direct effect on property valuations, which can vary significantly (upwards or downwards) over time. Bearing in mind the long term nature of the Group's business, valuation changes have little direct effect on the ongoing activities or the income and expenditure of the Group. Tenants generally have long term leases, so rents are unaffected by short term valuation changes. Borrowings are secured against property values and if those values fall very significantly, this could limit the ability of the Group to develop the business using external borrowings. The risk is minimised by trying to ensure that there is adequate cover to allow for fluctuations in value on a short term basis.

It continues to be the policy of the Group to realise property assets when the valuation of those assets reaches a level at which the directors consider that the long-term rental yield has been reached. The Group also seeks to acquire additional property investments on an opportunistic basis when the potential rental yields offer scope for future growth.

INVESTMENT ACTIVITIES

The investments in joint ventures and Bisichi are for the long term.

LAP manages the UK property assets of Bisichi. However, the principal activity of Bisichi is overseas mining investment (in South Africa). While IFRS 10 requires the consolidation of Bisichi, the investment is held to generate income and capital growth over the longer term. It is managed independently of LAP and should be viewed by shareholders as an investment and not a subsidiary. The other listed investments are held as current assets to provide the liquidity needed to support the property activities while generating income and capital growth.

Investments in property are made through joint ventures when the financing alternatives and spreading of risk make such an approach desirable.

DIVIDEND

The directors are recommending payment of a final dividend for 2018 of 0.18p per share (2017: 0.175p per share).

Subject to shareholder approval, the ordinary final dividend will be payable on Friday 13 September 2019 to shareholders registered at the close of business on Friday 16 August 2019.

THE COMPANY'S ORDINARY SHARES HELD IN TREASURY

At 31 December 2018, 218,197 (2017: 221,061) ordinary shares were held in Treasury with a market value of £56,731 (2017: £54,160). At the Annual General Meeting (AGM) in June 2018 members renewed the authority for the Company to purchase up to 10 per cent of its issued ordinary shares. The Company will be asking members to renew this authority at the next AGM to be held on Wednesday 12 June 2019.

Treasury shares held at 1 January 2018	**221,061**
at 31 December 2018	**218,197**

Treasury shares are not included in issued share capital for the purposes of calculating earnings per share or net assets per share and they do not qualify for dividends payable.

INVESTMENT PROPERTIES

The freehold and long leasehold properties of the Company, its subsidiaries and Bisichi were revalued as at 31 December 2018 by independent professional firms of chartered surveyors – Allsop LLP, London (69.13 per cent of the portfolio), Carter Towler, Leeds (27.5 per cent) – and by the Directors (3.37 per cent). The valuations, which are reflected in the financial statements, amount to £47.4 million (2017: £78 million).

Property of £2.3 million (2017: £36.4 million) is included under current assets, as assets held for sale.

Property of £38.6 million (2017: £nil) is included under current assets, as inventory.

Taking account of prevailing market conditions, the valuation of the properties at 31 December 2018 resulted in a decrease of £2.6 million (2017: increase of £9.37 million). The proportion of this revaluation attributable to the Group (net of taxation) is reflected in the consolidated income statement and the consolidated balance sheet.

FINANCIAL INSTRUMENTS

Note 20 to the financial statements sets out the risks in respect of financial instruments. The board reviews and agrees overall treasury policies, delegating appropriate authority for applying these policies to the Chief Executive and Finance Director. Financial instruments are used to manage the financial risks facing the Group and speculative transactions are prohibited. Treasury operations are reported at each board meeting and are subject to weekly internal reporting. Hedging arrangements are in place for the Company, its subsidiaries and joint ventures in order to limit the effect of higher interest rates upon the Group. Where appropriate, hedging arrangements are covered in the Chairman and Chief Executive's Statement and the Financial Review.

DIRECTORS

Sir Michael Heller, J A Heller, A K Thapar, H D Goldring, C A Parritt and R Priest were Directors of the company for the whole of 2018.

A K Thapar retired as a Director on 31 December 2018.

Sir Michael Heller and H D Goldring are retiring by rotation at the Annual General Meeting in 2019 and offer themselves for re-election.

J Mintz was appointed as an executive Director on 11 February 2019 and will offer himself for election at the Annual General Meeting in 2019.

Brief details of the Directors offering themselves for re-election, are as follows:

Sir Michael Heller is Executive Chairman and has been a Director since 1971. He has a contract of service determinable upon six months' notice. Sir Michael Heller is a chartered accountant and a member of the nomination committee. He is Executive Chairman of Bisichi Mining PLC, our associate company. The board has considered the re-appointment of Sir Michael Heller and recommends his re-election as a Director.

Howard Goldring has been a Director since 1992 and has a contract of service determinable upon three months' notice. He is an Independent Director and a member of the audit, nomination and remuneration committees. Howard Goldring is a chartered accountant and global asset allocation specialist. He is Executive Chairman of Delmore Holdings Limited. His specialized economic knowledge and broad commercial experience are of significant benefit to the business. The board has considered the re-appointment of Howard Goldring and recommends his re-election as a Director.

Jonathan Mintz was appointed a Director on 11 February 2019 and is also the Company Secretary. He has a contract of employment determinable upon three months' notice. Jonathan Mintz is an ACA qualified Finance Director experienced in real estate, consultancy, and construction in the UK and internationally. He has worked in the property and infrastructure sector for the majority of his career, holding senior positions with listed and private property and construction businesses. The board has considered the appointment of Jonathan Mintz and recommends his election as a Director.

DIRECTORS' INTERESTS

The interests of the Directors in the ordinary shares of the Company, including family and trustee holdings, where appropriate, can be found on page 22 of the Annual Remuneration Report.

SUBSTANTIAL SHAREHOLDINGS

	31 DEC 2018		31 DEC 2017	
	NO.	%	NO.	%
Sir Michael Heller and family	48,080,511	56.35	48,080,063	56.35
Cavendish Asset Management Limited	8,061,044	9.45	7,909,464	9.27
James Hyslop	4,886,258	5.73	4,846,258	5.68
Maland Pension Fund	2,931,198	3.44	–	0.00

The Company does not consider that the Heller family has a controlling share interest irrespective of the number of shares held as no individual party holds a majority and there is no legal obligation for shareholders to act in concert. The Directors do not consider that any single party has control.

The Company is not aware of any other holdings exceeding 3 per cent of the issued share capital.

SHARE CAPITAL AND TAKEOVER DIRECTIVE

The Company has one class of share capital, namely ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank pari passu. There are no securities issued by the Company which carry special rights with regard to control of the Company.

The identity of all significant direct or indirect holders of securities in the Company and the size and nature of their holdings is shown in "Substantial Shareholdings" above.

The rights of the ordinary shares to which the HMRC approved Share Incentive Plan relates are exercisable by the trustees on behalf of the employees.

There are no restrictions on voting rights or on the transfer of ordinary shares in the Company, save in respect of treasury shares. The rules governing the appointment and replacement of Directors, alteration of the articles of association of the Company and the powers of the Company's Directors accord with usual English company law provisions. Each Director is subject to re-election at least every three years. The Company has requested authority from shareholders to buy back its own ordinary shares and there will be a resolution to renew the authority at this year's AGM (Resolution 11).

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors in office at the date of approval of the financial statements have confirmed that, so far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as a Director in order to make them aware of any relevant audit information and to establish that it has been communicated to the auditor.

INDEMNITIES AND INSURANCE

The Articles of Association of the company provide for it to indemnify, to the extent permitted by law, directors and officers (excluding the Auditor) of the company, including officers of subsidiaries and associated companies, against liabilities arising from the conduct of the Group's business. The indemnities are qualifying third party indemnity provisions of the Companies Act 2006 and each of these qualifying third party indemnities was in force during the course of the financial year ended 31 December 2018 and as at the date of this Directors' report. No amount has been paid under any of these indemnities during the year.

The Group maintains Directors and officers insurance, which is reviewed annually and is considered to be adequate by the Company and its insurance advisers.

DONATIONS

No political donations were made during the year (2017: £Nil). £2,800 of donations for charitable purposes were made during the year (2017: £1,000).

CORPORATE RESPONSIBILITY

Environment

The environmental considerations of the group's South African coal mining operations are covered in the Bisichi Mining PLC Strategic Report.

The group's UK activities are principally property investment whereby premises are provided for rent to commercial businesses. The group seeks to provide those tenants with good quality premises from which they can operate in an efficient and environmentally efficient manner and waste re-cycling arrangements are in place at all the company's locations.

Greenhouse gas emissions

Details of the group's greenhouse gas emissions for the year ended 31 December 2018 can be found on pages 10 and 11 of the Strategic Report.

Employment

The group's policy is to attract staff and motivate employees by offering competitive terms of employment. The group provides equal opportunities to all employees and prospective employees including those who are disabled. The Bisichi Mining PLC Strategic Report gives details of the Bisichi group's activities and policies concerning the employment, training, health and safety and community support and social development concerning the Bisichi group's employees in South Africa.

GOING CONCERN

The directors have reviewed the cash flow forecasts of the Group and the underlying assumptions on which they are based. The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman's and Chief Executive's Statement and Financial Review. In addition, Note 20 to the financial statements sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

With secured long term banking facilities, sound financial resources and long term leases in place the Directors believe it remains appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

The Bisichi directors continue to adopt the going concern basis of accounting in preparing the Bisichi annual financial statements.

CORPORATE GOVERNANCE

The Corporate governance report can be found on pages 17 and 18 of the annual report and accounts.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 24 Bruton Place, London, W1J 6NE on Wednesday 12 June 2019 at 10.00 a.m. Items 1 to 9 will be proposed as ordinary resolutions. More than 50 per cent. of shareholders' votes cast at the meeting must be in favour for those ordinary resolutions to be passed. Items 10 to 12 will be proposed as special resolutions. At least 75 per cent. of shareholders' votes cast at the meeting must be in favour for those special resolutions to be passed. The Directors consider that all of the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole and accordingly the board unanimously recommends that shareholders vote in favour of all of the resolutions as the Directors intend to do in respect of their own beneficial holdings of ordinary shares. Please note that the following paragraphs are only summaries of certain of the resolutions to be proposed at the Annual General Meeting and do not represent the full text of the resolutions. You should therefore read this section in conjunction with the full text of the resolutions contained in the notice of Annual General Meeting which accompanies this Directors' Report.

ORDINARY RESOLUTIONS

Resolution 9 – Authority to allot securities
Paragraph 9.1.1 of Resolution 9 would give the Directors the authority to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal value of £2,836,478. This represents approximately 1/3 (one third) of the ordinary share capital of the Company in issue (excluding treasury shares) as at 26 April 2019 (being the last practicable date prior to the publication of this Directors' Report).

In line with guidance issued by the Institutional Voting Information Service (IVIS), paragraph 9.1.2 of Resolution 9 would give the directors the authority to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to a further aggregate nominal value of £2,836,478, in connection with an offer by way of a rights issue. This amount represents approximately another 1/3 (one third) of the ordinary share capital of the Company in issue (excluding treasury shares) as at 26 April 2019 (being the last practicable date prior to the publication of this Directors' Report).

The Directors' authority will expire on the earlier of 31 August 2020 or the next AGM. The Directors do not currently intend to make use of this authority. However, if they do exercise the authority, the Directors intend to follow best practice as recommended by the IVIS regarding its use (including as regards the Directors standing for re-election in certain cases).

SPECIAL RESOLUTIONS

The following special resolutions will be proposed at the Annual General Meeting:

Resolution 10 – Disapplication of pre-emption rights
Under English company law, when new shares are allotted or treasury shares are sold for cash (otherwise than pursuant to an employee share scheme) they must first be offered at the same price to existing shareholders in proportion to their existing shareholdings. This special resolution gives the Directors authority, for the period ending on the date of the next annual general meeting to be held in 2020, to: (a) allot shares of the Company and sell treasury shares for cash in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the Company, or sell treasury shares, for cash up to an aggregate nominal value of £425,472 representing, in accordance with IVIS guidelines, approximately 5 per cent. of the total ordinary share capital in issue as at 26 April 2019 (being the last practicable date prior to the publication of this Directors' Report) in each case as if the pre-emption rights in English company law did not apply.

Save in respect of issues of shares in respect of employee share schemes and share dividend alternatives, the Directors do not currently intend to make use of these authorities. The board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares for cash on a non-pre-emptive basis in excess of an amount equal to 7.5 per cent. of the Company's ordinary share capital within a rolling three-year period without prior consultation with shareholders. The Directors' authority will expire on the earlier of 31 August 2020 or the date of next AGM.

Resolution 11 – Purchase of own ordinary shares
The effect of Resolution 11 would be to renew the Directors' current authority to make limited market purchases of the Company's ordinary shares of 10 pence each. The power is limited to a maximum aggregate number of 8,509,435 ordinary shares (representing approximately 10 per cent. of the Company's issued share capital as at 26 April 2019 (being the latest practicable date prior to publication of this Directors' Report)). The minimum price (exclusive of expenses) which the Company would be authorised to pay for each ordinary share would be 10 pence (the nominal value of each ordinary share). The maximum price (again exclusive of expenses) which the Company would be authorised to pay for an ordinary share is an amount equal to 105 per cent. of the average market price for an ordinary share for the five business days preceding any such purchase. The authority conferred by Resolution 11 will expire at the conclusion of the Company's next annual general meeting to be held in 2020 or 15 months from the passing of the resolution, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchases through the London Stock Exchange.

If granted, the authority would only be exercised if, in the opinion of the Directors, to do so would result in an increase in earnings per share or asset values per share and would be in the best interests of shareholders generally. In exercising the authority to purchase ordinary shares, the Directors may treat the shares that have been bought back as either cancelled or held as treasury shares (shares held by the Company itself). No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them.

Resolution 12 – Notice of General Meetings
Resolution 12 shall be proposed to allow the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. A resolution in the same terms was passed at the Annual General Meeting in 2018. The notice period required by the Companies Act 2006 for general meetings of the Company is 21 days, unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

OTHER MATTERS

RSM UK Audit LLP has expressed its willingness to continue in office as auditor. A proposal will be made at the Annual General Meeting for its reappointment.

By order of the board

Jonathan Mintz
Secretary

30 April 2019
24 Bruton Place
London
W1J 6NE

Corporate Governance

The Company has adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) published by the Quoted Companies Alliance. The QCA Code provides governance guidance to small and mid-size quoted companies. The paragraphs below set out how the Company has applied this guidance during the year. The Company has complied with the QCA Code throughout the year.

PRINCIPLES OF CORPORATE GOVERNANCE

The board promotes good corporate governance in the areas of risk management and accountability as a positive contribution to business prosperity. The board endeavours to apply corporate governance principles in a sensible and pragmatic fashion having regard to the circumstances of the business. The key objective is to enhance and protect shareholder value.

BOARD STRUCTURE

During the year the board comprised the Chairman, the Chief Executive, one other executive Director and three non-executive Directors. Their details appear on page 12 The board is responsible to shareholders for the proper management of the Group.

The Directors' responsibilities statement in respect of the accounts is set out on page 27. The non-executive Directors have a particular responsibility to ensure that the strategies proposed by the executive Directors are fully considered. To enable the board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The board has a formal schedule of matters reserved to it and normally has eleven regular meetings scheduled each year. Additional meetings are held for special business when required.

The board is responsible for overall Group strategy, approval of major capital expenditure and consideration of significant financial and operational matters.

The board committees, which have written terms of reference, deal with specific aspects of the Group's affairs:

- The nomination committee is chaired by C A Parritt and comprises one other non-executive Director and the executive Chairman. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In appropriate cases recruitment consultants may be used to assist the process. All Directors are subject to re-election at a maximum of every three years.
- The remuneration committee is responsible for making recommendations to the board on the Company's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights, option grants and compensation payments. The board itself determines the remuneration of the non-executive Directors. The committee comprises two non-executive Directors and it is chaired by C A Parritt. The executive Chairman of the board is normally invited to attend. The Annual Remuneration Report is set out on pages 20 to 23.
- The audit committee comprises two non-executive Directors and is chaired by C A Parritt. The audit committee report, with its terms of reference, is set out on page 26 The Chief Executive and Finance Director are normally invited to attend.

BOARD AND BOARD COMMITTEE MEETINGS HELD IN 2018

The number of regular meetings during the year and attendance was as follows:

		MEETINGS HELD	MEETINGS ATTENDED
Sir Michael Heller	Board	10	10
	Nomination committee	1	1
	Remuneration committee	3	3
J A Heller	Board	10	10
	Audit committee	2	2
A K Thapar	Board	10	10
	Audit committee	2	2
C A Parritt	Board	10	10
	Audit committee	2	2
	Nomination committee	1	1
	Remuneration committee	3	3
H D Goldring	Board	10	10
	Audit committee	2	2
	Nomination committee	1	1
	Remuneration committee	3	3
R Priest	Board	10	9

PERFORMANCE EVALUATION – BOARD, BOARD COMMITTEES AND DIRECTORS

The performance of the board as a whole, its committees and the non-executive Directors is assessed by the Chairman and the Chief Executive and is discussed with the senior independent non-executive Director. Their recommendations are discussed at the nomination committee prior to proposals for re-election being recommended to the board. The performance of executive Directors is discussed and assessed by the remuneration committee. The senior independent Director meets regularly with the Chairman, executive and non-executive Directors individually outside of formal meetings. The Directors will take outside advice in reviewing performance but have not found this to be necessary to date.

INDEPENDENT DIRECTORS

The senior independent non-executive Director is C A Parritt. The other independent non-executive Directors are H D Goldring and R Priest. Delmore Holdings Limited (Delmore) is a Company in which H D Goldring is the majority shareholder and the Executive Chairman. Delmore provides consultancy services to the Company on a fee paying basis. R Priest provides services to the Company on a fee paying basis. C A Parritt also provides some advisory services as part of his accounting practice.

The board encourages all three non-executive Directors to act independently and does not consider that length of service of any individual non-executive Director, nor any connection with the above mentioned consultancy and advisory companies, has resulted in the inability or failure to act independently. In the opinion of the board the three non-executive Directors continue to fulfil their roles as independent non-executive Directors.

The independent Directors exchange views regularly between board meetings and meet when required to discuss corporate governance and other issues concerning the Group.

INTERNAL CONTROL

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness at least annually, and for the preparation and review of its financial statements. The board has designed the Group's system of internal control in order to provide the Directors with reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss. The key elements of the control system in operation are:

- The board meets regularly on full notice with a formal schedule of matters reserved for its decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- The departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their departments and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and associated control and monitoring procedures are made to the executive Directors. The process adopted by the Group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants in England and Wales. The audit committee receives reports from external auditors and from executive Directors of the Group. During the period the audit committee has reviewed the effectiveness of the system of internal control as described above. The board receives periodic reports from all committees.
- There are established procedures for the presentation and review of the financial statements and the Group has in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority.

There are no internal control issues to report in the annual report and financial statements for the year ended 31 December 2018. Up to the date of approval of this report and the financial statements, the board has not been required to deal with any related material internal control issues. The Directors confirm that the board has reviewed the effectiveness of the system of internal control as described during the period.

COMMUNICATION WITH SHAREHOLDERS

Prompt communication with shareholders is given high priority. Extensive information about the Group and its activities is provided in the Annual Report. In addition, a half-year report is produced for each financial year and published on the Company's website. The Company's website www.lap.co.uk is updated promptly with announcements and Annual Reports upon publication. Copies from previous years are also available on the website.

The Company's share price is published daily in the Financial Times.

The share price history and market information can be found at http://www.londonstockexchange.com/prices-and-markets/markets/prices.htm. The company code is LAS.

There is a regular dialogue with the Company's stockbrokers and institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Group are dealt with promptly and informatively.

The Company's website is under continuous development to enable better communication with both existing and potential new shareholders.

THE BRIBERY ACT 2010

The Company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance with the Company's anti–bribery code is monitored closely.

Governance Statement by the Chairman of The Remuneration Committee

The remuneration committee is pleased to present its report for the year ended 31 December 2018. The report is presented in two parts in accordance with the remuneration regulations.

The first part is the Annual Remuneration Report which details remuneration awarded to Directors and non-executive Directors during the year. The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution (as in previous years) at the AGM in June 2019.

The second part is the Remuneration Policy which details the remuneration policy for Directors. This policy was subject to a binding vote by shareholders at the AGM in 2017 and was approved for a 3 year period commencing from then. The committee reviewed the existing policy and deemed that no changes were necessary to the current arrangements.

Both of the reports have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Company's auditor, RSM UK Audit LLP is required by law to audit certain disclosures and where disclosures have been audited that is indicated.

C A Parritt
Chairman, Remuneration Committee

30 April 2019

Annual remuneration report

THE FOLLOWING INFORMATION HAS BEEN AUDITED

Single total figure of remuneration for the year ended 31 December 2018

	SALARY AND FEES £'000	BONUSES £'000	BENEFITS £'000	PENSIONS £'000	**TOTAL BEFORE SHARE OPTIONS £'000**	SHARE OPTIONS £'000	**TOTAL 2018 £'000**
Executive Directors							
Sir Michael Heller*	7	350	55	-	**412**	n/a	**412**
Sir Michael Heller - Bisichi	82	200	2	-	**284**	n/a	**284**
J A Heller	533	300	37	-	**870**	n/a	**870**
A K Thapar	161	60	11	10	**242**	n/a	**242**
	783	910	105	10	**1,808**	-	**1,808**
Non-executive Directors							
H D Goldring*+	18	-	8	-	**26**	n/a	**26**
C A Parritt*+	40	-	-	-	**40**	n/a	**40**
R Priest*	35	-	-	-	**35**	n/a	**35**
	93	-	8	-	**101**	-	**101**
Total	876	910	113	10	**1,909**	-	**1,909**

Single total figure of remuneration for the year ended 31 December 2017

	SALARY AND FEES £'000	BONUSES £'000	BENEFITS £'000	PENSIONS £'000	TOTAL BEFORE SHARE OPTIONS £'000	SHARE OPTIONS £'000	TOTAL 2017 £'000
Executive Directors							
Sir Michael Heller*	7	-	49	-	56	n/a	56
Sir Michael Heller - Bisichi	75	-	-	-	75	n/a	75
J A Heller	333	100	37	17	487	n/a	487
A K Thapar	157	30	9	10	206	n/a	206
	572	130	95	27	824	-	824
Non-executive Directors							
H D Goldring*+	17	-	7	-	24	n/a	24
C A Parritt*+	38	-	-	-	38	n/a	38
R Priest*	35	-	-	-	35	n/a	35
	90	-	7	-	97	-	97
Total	662	130	102	27	921	-	921

* Note 25 "Related party transactions"

+ Members of the remuneration committee for years ended 31 December 2017 and 31 December 2018

Benefits include the provision of car, health and other insurance and subscriptions.

Sir Michael Heller is a director of Bisichi Mining PLC, (a subsidiary for IFRS 10 purposes) and received a salary from that company of £82,500 (2017: £75,000) for services.

Although Sir Michael Heller receives reduced remuneration in respect of his services to LAP, the Company does supply office premises, property management, general management, accounting and administration services for a number of companies in which Sir Michael Heller has an interest. The board estimates that the annual value of these services, if supplied to a third party, would have been £300,000 (2017: £300,000). Further details of these services are set out in Note 25 to the financial statements "Related party transactions".

J A Heller is a director of Dragon Retail Properties Limited, (a subsidiary for IFRS 10 purposes) and received benefits from that company of £6,500 (2017: £10,698) for services. This is included in the remuneration figures disclosed above.

The remuneration figures disclosed for H D Goldring include fees paid to his company, Delmore Holdings Limited for consultancy services provided to the Group. This is detailed in Note 25 to the financial statements.

The remuneration figures for C A Parritt include fees paid to his accountancy practice for consultancy services provided to the Group. This is detailed in Note 25 to the financial statements.

R Priest provides consultancy services to the Group. This is detailed in Note 25 to the financial statements.

Summary of directors' terms

	DATE OF CONTRACT	UNEXPIRED TERM	NOTICE PERIOD
Executive Directors			
Sir Michael Heller	1 January 1971	Continuous	6 months
John Heller	1 May 2003	Continuous	12 months
Anil Thapar	1 January 2015	Continuous	3 months
Non-executive Directors			
H D Goldring	1 July 1992	Continuous	3 months
C A Parritt	1 January 2006	Continuous	3 months
R Priest	31 July 2013	Continuous	3 months

TOTAL PENSION ENTITLEMENTS

One director had benefits under money purchase schemes. Under his contract of employment, he was entitled to a regular employer contribution (currently £10,000 a year). There are no final salary schemes in operation. No pension costs are incurred on behalf of non-executive Directors.

SHARE INCENTIVE PLAN (SIP)

In 2006 the Directors set up an HMRC approved share incentive plan (SIP). The purpose of the plan, which is open to all eligible LAP executive Directors and head office based staff, is to enable them to acquire shares in the Company and give them a continuing stake in the Group. The SIP comprises four types of share – (1) free shares under which the Company may award shares of up to the value of £3,000 each year, (2) partnership shares, under which members may save up to £1,500 per annum to acquire shares, (3) matching shares, through which the Company may award up to two shares for each share acquired as a partnership share, and (4) dividend shares, acquired from dividends paid on shares within the SIP.

1. **Free shares:** No free shares were issued for 2018 bonuses or for 2017 bonuses.
2. **Partnership shares:** No partnership shares were issued between November 2017 and October 2018.
3. **Matching shares:** The partnership share agreements for the year to 31 October 2018 provide for two matching shares to be awarded free of charge for each partnership share acquired. No partnership shares were acquired in 2018 (2017: nil). Matching shares will usually be forfeited if a member leaves employment in the Group within five years of their grant.
4. **Dividend shares:** Dividends on shares acquired under the SIP will be utilised to acquire additional shares. Accumulated dividends received on shares in the SIP to 31 December 2018 amounted to £Nil (2017: Nil).

Dividend shares issued:

	NUMBER OF MEMBERS		NUMBER OF SHARES		VALUE OF SHARES	
	2018	2017	**2018**	2017	**2018 £**	2017 £
Directors:						
J A Heller	**1**	-	**448**	-	**125**	-
A K Thapar	**1**	-	**579**	-	**161**	-
Staff	**-**	-	**-**	-	**-**	-
Total at 31 December	**2**	-	**1,027**	-	**286**	-

The SIP is set up as an employee benefit trust. The trustee is London & Associated Securities Limited, a wholly owned subsidiary of LAP, and all shares and dividends acquired under the SIP will be held by the trustee until transferred to members in accordance with the rules of the SIP.

SHARE OPTION SCHEMES

The Company has an HMRC approved scheme (Approved Scheme). It was set up in 1986 in accordance with HMRC rules to gain HMRC approved status which gave the members certain tax advantages. There are no performance criteria for the exercise of options under the Approved Scheme, as this was set up before such requirements were considered to be necessary. No Director has any options outstanding under the Approved Scheme nor were any options granted under the Approved Scheme for the year ended 31 December 2018.

A share option scheme known as the "Non-approved Executive Share Option Scheme" (Unapproved Scheme) which does not have HMRC approval was set up during 2000. At 31 December 2018 there were no options to subscribe for ordinary shares outstanding. The exercise of options under the Unapproved Scheme is subject to the satisfaction of objective performance conditions specified by the remuneration committee which conforms to institutional shareholder guidelines and best practice provisions. Further details of this scheme are set out in Note 23 "Share Capital" to the financial statements.

PAYMENTS TO PAST DIRECTORS

No payments were made to past Directors in the year ended 31 December 2018.

PAYMENTS FOR LOSS OF OFFICE

No payments for loss of office were made in the year ended 31 December 2018.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTEREST

Directors' interests

The interests of the Directors in the ordinary shares of the Company, including family and trustee holdings, where appropriate, were as follows:

	BENEFICIAL INTERESTS		NON-BENEFICIAL INTERESTS	
	31 DEC 18	1 JAN 18	**31 DEC 18**	1 JAN 18
Sir Michael Heller	**5,753,541**	5,753,541	**19,277,931**	19,277,931
H D Goldring	**19,819**	19,819	**-**	-
J A Heller	**1,867,841**	1,867,393	**†14,073,485**	†14,073,485
C A Parritt	**36,168**	36,168	**-**	-
R Priest	**-**	-	**-**	-
A K Thapar	**121,074**	120,495	**-**	-

†These non-beneficial holdings are duplicated with those of Sir Michael Heller.

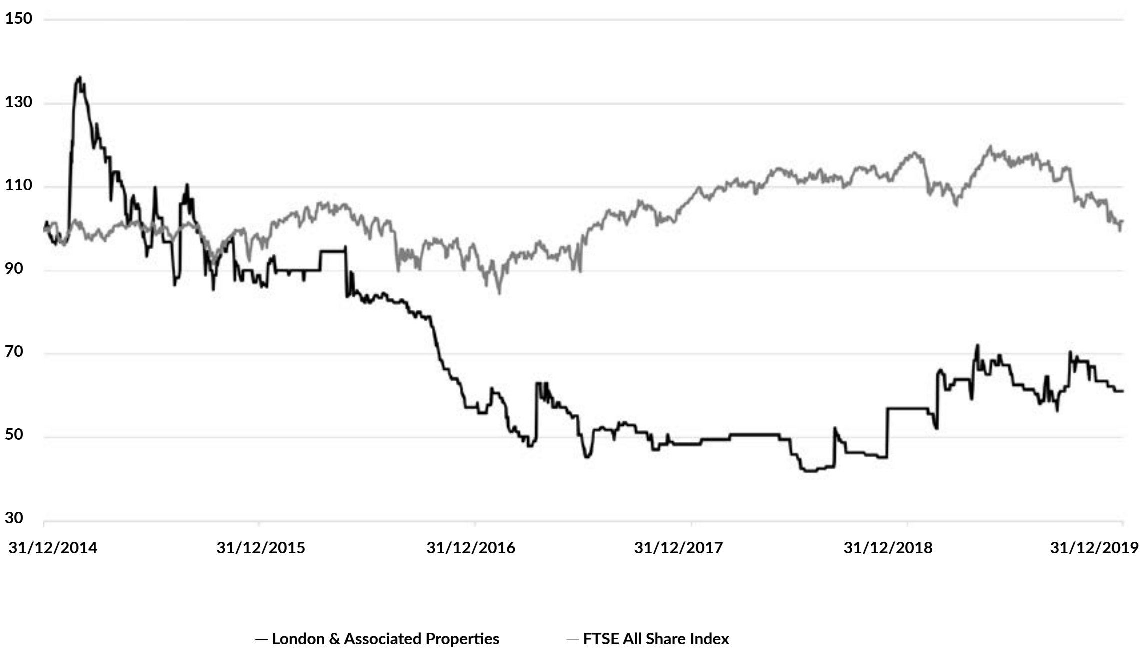
The beneficial holdings of Directors shown above include their interests in the Share Incentive Plan.

THE FOLLOWING INFORMATION IS UNAUDITED:

The graph illustrates the Company's performance as compared with a broad equity market index over a five year period. Performance is measured by total shareholder return. The directors have chosen the FTSE All Share – Total Return Index as a suitable index for this comparison as it gives an indication of performance against a large spread of quoted companies.

The middle market price of London & Associated Properties PLC ordinary shares at 31 December 2018 was 26p (2017: 24.50p). During the year the share middle market price ranged between 22p and 31p.

Total Shareholder Return



REMUNERATION OF THE CHIEF EXECUTIVE OVER THE LAST TEN YEARS

YEAR	CEO	CHIEF EXECUTIVE SINGLE TOTAL FIGURE OF REMUNERATION £'000	ANNUAL BONUS PAYMENT AGAINST MAXIMUM OPPORTUNITY* %	LONG-TERM INCENTIVE VESTING RATES AGAINST MAXIMUM OPPORTUNITY* %
2018	**J A Heller**	**870**	**20%**	**n/a**
2017	J A Heller	487	11%	n/a
2016	J A Heller	569	18%	n/a
2015	J A Heller	762	41%	n/a
2014	J A Heller	835	49%	n/a
2013	J A Heller	716	n/a	n/a
2012	J A Heller	417	n/a	n/a
2011	J A Heller	671	n/a	n/a
2010	J A Heller	577	n/a	n/a
2009	J A Heller	982	n/a	n/a
2008	J A Heller	688	n/a	n/a

*There were no formal criteria or conditions to apply in determining the amount of bonus payable or the number of shares to be issued prior to 2014.

PERCENTAGE CHANGE IN CHIEF EXECUTIVE'S REMUNERATION (AUDITED)

The table below shows the percentage change in Chief Executive remuneration for the prior year compared to the average percentage change for all other Head Office based employees. To provide a meaningful comparison, the same group of employees (although not necessarily the same individuals) appears in the 2017 and 2018 group. The remuneration committee chose head office based employees as the comparator group as this group forms the closest comparator group.

	CHIEF EXECUTIVE £'000			HEAD OFFICE EMPLOYEES £'000		
	2018	2017	**% CHANGE**	**2018**	2017	**% CHANGE**
Base salary and allowances	**533**	333	**60.1%**	**675**	643	**5%**
Taxable benefits	**37**	37	**0%**	**93**	81	**14.8%**
Annual bonus	**300**	100	**200%**	**460**	80	**475%**
Total	**870**	470	**85.1%**	**1,228**	804	**52.7%**

RELATIVE IMPORTANCE OF SPEND ON PAY

The total expenditure of the Group on remuneration to all employees (Note 26 refers) is shown below:

	2018 £'000	2017 £'000
Employee Remuneration	**9,889**	8,113
Distributions to shareholders	**256**	141

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY

The policy was approved at the AGM in June 2017 and was effective from 6 June 2017. The vote on the remuneration policy is binding in nature. The Company may not then make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a director of the Company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members. It is to be presented for approval at the 2020 AGM.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Remuneration Committee considered the executive Directors' remuneration and the Board considered the non-executive Directors' remuneration in the year ended 31 December 2018. The balance between bonuses and basic remuneration payable to the Chief Executive was varied to better reflect market conditions.

SHAREHOLDER VOTING

At the Annual General Meeting on 19 June 2018, there was an advisory vote on the resolution to approve the Remuneration Report, other than the part containing the remuneration policy.

In addition, on 6 June 2017, there was a binding vote on the resolution to approve the Remuneration Policy. The results are detailed below:

	% OF VOTES FOR	% OF VOTES AGAINST	NUMBER OF VOTES WITHHELD
Resolution to approve the Remuneration Report (19 June 2018)	73.95	26.05	2,173,594
Resolution to approve the Remuneration Policy (6 June 2017)	83.14	16.69	89,602

Remuneration policy

INTRODUCTION

Set out below is the LAP Group policy on directors' remuneration (excluding Bisichi). This policy was approved at the 2017 AGM and it is effective from 6 June 2017. Unless changed it will be presented next for approval at the AGM in 2020.

A copy of the full policy can be found at www.lap.co.uk.

In setting the policy, the Remuneration Committee has taken the following into account:

- The need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the company

FUTURE POLICY TABLE

ELEMENT	PURPOSE	POLICY
EXECUTIVE DIRECTORS		
Base salary	To recognise: Skills Responsibility Accountability Experience Value	Considered by remuneration committee on appointment Set at a level considered appropriate to attract, retain, motivate and reward the right individuals
Pension	To provide competitive retirement benefits	Company contribution offered at up to 10% of base salary as part of overall remuneration package
Benefits	To provide a competitive benefits package	Contractual benefits include: Car or car allowance Group health cover Death in service cover Permanent health insurance
Annual bonus	To reward and incentivise	In assessing the performance of the executive team, and in particular to determine whether bonuses are merited the remuneration committee takes into account the overall performance of the business, as well as individual contribution to the business in the period
Share options	To provide executive directors with a long-term interest in the company	Share options may be granted under existing schemes (see page 21) Where it is necessary to attract, retain, motivate and reward the right individuals, the directors may establish new schemes to replace any expired schemes
Share incentive plan (SIP)	To offer a shorter term incentive in the company and to give directors a stake in the group	Offered to executive directors and head office staff
NON-EXECUTIVE DIRECTORS		
Base salary	To recognise: Skills Responsibility Experience Risk Value	Considered by the board on appointment Set at a level considered appropriate to attract, retain and motivate the individual Experience and time required for the role are considered on appointment
Pension		No pension offered
Benefits		No benefits offered except to one non-executive director who is eligible for health cover (see annual remuneration report page 20)
Share options		Non-executive directors do not participate in the share option schemes

Notes to the Remuneration Policy

The remuneration committee considers the performance measures outlined in the table above to be appropriate measures of performance and that the KPIs chosen align the interests of the directors and shareholders.

- The LAP Group's general aim of seeking to reward all employees fairly according to the nature of their role and their performance
- Remuneration packages offered to similar companies within the same sector
- The need to align the interests of shareholders as a whole with the long-term growth of the Group; and
- The need to be flexible and adjust with operational changes throughout the term of this policy

The remuneration of non-executive directors is determined by the board, and takes into account additional remuneration for services outside the scope of the ordinary duties of non-executive directors.

OPERATION	OPPORTUNITY AND PERFORMANCE CONDITIONS
Reviewed annually whenever there is a change of role or operational responsibility Paid monthly in cash	There is no prescribed maximum salary or maximum rate of increase No individual director will be awarded a base salary in excess of £700,000 a year No specific performance conditions are attached to base salaries
The contribution payable by the Company is included in the director's contract of employment Paid into money purchase schemes	Company contribution offered at up to 10% of base salary as part of overall remuneration package No specific performance conditions are attached to pension contributions
The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs (e.g. medical inflation)	The costs associated with benefits offered are closely controlled and reviewed on an annual basis No director will receive benefits of a value in excess of 30% of their base salary No specific performance conditions are attached to contractual benefits
The remuneration committee determines the level of bonus on an annual basis In assessing performance consideration is given to the level of net rental income, cash flow, voids, realised development gains and income from managing joint ventures. Achieved results are then compared with expectation taking account of market conditions Bonuses are generally offered in cash or shares	The current maximum bonus will not exceed 200% of base salary in any one year but the remuneration committee reserves the power to award up to 300% in an exceptional year Performance conditions will be assessed on an annual basis The performance measures applied may be financial, non-financial, corporate, divisional or individual and in such proportion as the remuneration committee considers appropriate
Offered at appropriate times by the remuneration committee	Entitlements to share options granted under the Approved Option scheme are not subject to performance criteria. Share Options granted under the Unapproved Scheme are subject to the performance criteria specified in the Scheme rules The aggregate number of shares over which options may be granted under all of the company's option schemes (including any options and awards granted under the company's employee share plans) in any period of ten years, will not exceed, at the time of grant, 10 % of the ordinary share capital of the company from time to time Share options will be offered by the remuneration committee as appropriate
Maximum participation levels are set by HMRC	Of any bonus awarded, Directors may opt to have maximum of £3,000 per year paid in 'Free Shares' under the SIP scheme rules
Reviewed annually	No individual non-executive director will be awarded a base salary in excess of £40,000 a year No performance conditions are attached to base salaries
The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs (e.g. medical inflation)	The costs associated with benefits offered are closely controlled and reviewed on an annual basis No non-executive director will receive benefits in excess of £10,000 a year No specific performance conditions are attached to contractual benefits

Audit committee report

The committee's terms of reference have been approved by the board and follow published guidelines, which are available on request from the company secretary.

At the year end the audit committee comprised two of the non-executive directors – H D Goldring and C A Parritt, both of whom are Chartered Accountants.

The audit committee's primary tasks are to:

- review the scope of external audit, to receive regular reports from RSM UK Audit LLP and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgement and estimation;
- monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the Group's internal control and risk management systems and processes;
- to review the risk assessments made by management, consider key risks with action taken to mitigate these and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the Group's risk management control and processes;
- consider once a year the need for an internal audit function;
- advise the board on the appointment of the external auditors, the rotation of the audit partner every five years and on their remuneration for both audit and non-audit work; discuss the nature and scope of their audit work and undertake a formal assessment of their independence each year, which includes:
  i) a review of non-audit services provided to the Group and related fees;
  ii) discussion with the auditors of their written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
  iii) a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
  iv) obtaining a written confirmation from the auditors that, in their professional judgement, they are independent.

MEETINGS

The committee meets at least twice prior to the publication of the annual results and discusses and considers the half year results prior to their approval by the board. The audit committee meetings are attended by the external audit partner, chief executive, finance director and company secretary. During the year the members of the committee also meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings may be held as necessary.

During the past year the committee:

- met with the external auditors, and discussed their reports to the audit committee;
- approved the publication of annual and half year financial results;
- considered and approved the annual review of internal controls;
- decided that there was no current need for an internal audit function;
- agreed the independence of the auditors and approved their fees for both audit and non-audit services as set out in Note 2 to the financial statements; and
- the chairman of the audit committee has also had separate meetings and discussions with the external audit partner.

FINANCIAL REPORTING

As part of its role, the Audit Committee assessed the audit findings that were considered most significant to the financial statements, including those areas requiring significant judgement and/or estimation. When assessing the identified financial reporting matters, the committee assessed quantitative materiality primarily by reference to the carrying value of the group's total assets, given that the group operates a principally asset based business. When determining quantitative materiality, the Board also gave consideration to the value of revenues generated by the group and net asset value, given that they are key trading and business KPIs. The qualitative aspects of any financial reporting matters identified during the audit process were also considered when assessing their materiality. Based on the considerations set out above we have considered quantitative errors individually or in aggregate in excess of approximately £1.5 million in relation to the consolidated balance sheet and £0.4 million for underlying profitability and £0.3 million for the Bisichi group to be material.

EXTERNAL AUDITOR

RSM UK Audit LLP held office throughout the period under review. In the United Kingdom London & Associated Properties PLC provides extensive administration and accounting services to Bisichi Mining PLC, which has its own audit committee and employs BDO LLP, a separate and independent firm of registered auditor.

C A Parritt

Chairman – Audit Committee

30 April 2019

Directors' responsibilities statement

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

English company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required under the Listing Rules of the Financial Conduct Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under English company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 'Reduced Disclosure Framework'.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under English 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 each of the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES

Each of the directors, whose names and functions are listed on page 12, confirms that to the best of each person's knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

b. the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the London & Associated Properties PLC website.

Legislation and regulations in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation and regulations in other jurisdictions.

Independent auditor's report

TO THE MEMBERS OF LONDON & ASSOCIATED PROPERTIES PLC

Opinion

We have audited the financial statements of London & Associated Properties Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

THE VALUATION AND PRESENTATION OF PROPERTIES

The group's properties are accounted for in the financial statements as investment properties under IAS 40 and held at fair value, or as inventory where appropriate and held at the lower of cost and net realisable value. The majority of investment properties are valued by two firms of independent external valuers and these valuations are adopted in the financial statements. At 31 December 2018 investment property valued at £47.4 million (note 8) was disclosed within non-current assets in the financial statements. Separately, investment property valued at £2.3 million (note 10) was disclosed as assets held for sale, within current assets, and property inventory was carried at £38.6 million (note 12).

The directors' assessment of the value and presentation of properties is considered a key audit matter due to the relative importance of these assets to the group's financial statements, the potential impact of movements in the fair values of the assets, and the subjectivity and complexity of the valuation process, which involves significant judgements and estimates as disclosed on page 37 of the financial statements.

The valuations are carried out by two firms of professional external valuers, together with, in respect of one property, an internal valuer in accordance with the methodology described in note 8.

Our response to the key audit matter included:

- agreeing the valuations of all properties recorded in the financial statements and subject to the external valuation process to the valuation reports prepared by the valuers. These reports covered all of the value of investment properties, except one property valued at £1.6 million which was subject to internal valuation;
- agreeing the carrying value (sales price less estimated costs to sell) of the property included as assets held for sale, to the draft agreement for sale;
- discussing with management and reviewing the documentation on the development activities undertaken which resulted in the transfer of the Sheffield property from investment property to inventory:
- agreeing the cost of properties held as inventory to underlying records including, for the Sheffield property held at a value of £32.3 million, to the valuation report prepared by third party valuers and used as the basis of cost for the transfer of that property from investment property to inventory;
- assessing the qualifications and expertise of the valuers, and considering their objectivity and any threats to their independence. We concluded that there was no threat which might impair the valuers' independence and objectivity;
- meeting the valuers, both external and internal, to discuss and challenge the assumptions used and the movements in valuations observed in the year; and
- comparing the key inputs to the valuation model to the underlying records of the leases and records of rents received and against our knowledge of market yields.

Key observations

- The carrying values of the properties are consistent with the valuation reports provided for investment properties. Properties held in inventory are carried at the lower of cost and net realisable value and, in the case of the asset held for sale, with the agreed selling price less estimated costs to sell. The presentation of the properties is consistent with management's intent

REVENUE RECOGNITION

As disclosed in note 1, the Group generated revenues from coal sales, rental income and service charge income. It was considered appropriate, as this is the first year of application of IFRS 15, to assess the appropriateness of management's revenue recognition policies and their application for compliance with IFRS. In addition, it was considered that there was a risk of coal sales revenue being recorded in the incorrect period.

As reported under the group accounting policies, during the course of the audit a material error was identified in respect of the Bisichi sub group's accounting treatment of transport costs to deliver export coal to the export terminal under a specific agreement. Such transport costs were previously incorrectly recorded as a deduction from revenue. Management has revised the accounting treatment in 2018 and restated the prior year revenue and operating costs accordingly.

The impact is to increase revenue and operating costs by £3.1m for the year ended 31 December 2018. The impact of the prior year restatement was to increase revenue and operating costs by £2.9m. There is no profit or net assets effect of the restatement.

The responses to the key audit matter included:

- management's revenue recognition policy for domestic and export coal sales was assessed for compliance with the relevant accounting standard. In doing so, sales contracts and terms with material customers were reviewed;
- controls over domestic coal sales were tested, focused on the authorisation and recording of revenue. Tests of detail, verifying a sample of domestic revenue to supporting documentation, were performed;
- third party confirmations were obtained which were agreed to amounts recorded in the ledgers for export sales and a sample of sales was confirmed to contract terms;
- the recording of revenue around the year end was tested and the revenue recognition point was assessed for consistency with the group's revenue recognition policy, customer terms and supporting documents regarding despatch/delivery as applicable;
- credit notes around the year end were reviewed for indications that revenue had been inappropriately recorded;
- in respect of the change in accounting treatment for transport costs and associated restatement of the prior year revenues and operating costs, the relevant contract was reviewed and the appropriateness of the accounting treatment under relevant accounting standards for the current and prior period was assessed. In doing so, financial reporting technical experts were consulted;
- a sample of the costs was agreed to supporting documentation and the general ledgers were reviewed in detail to check the completeness and accuracy of the adjustments in the current and prior period.

Key observations

The Group's revenue recognition policies were found to be compliant with IFRS and, subsequent to the restatement and adjustment, revenue is recorded in line with the group's stated policies. Service charge income of £0.9 million is now included gross in revenue, whereas in prior years such income had been netted off expenses, as disclosed in note 1.

There are no key audit matters in relation to the parent company.

OUR APPLICATION OF MATERIALITY

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements.

During planning materiality for the group statements as a whole was calculated as £1.5 million, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £0.4 million, which was revised to £0.65 million as the audit progressed.

The London & Associated Properties plc group consists of two distinct components: a UK based property investment group, and a fully listed mining group carrying out mining operations in South Africa with a relatively small investment property portfolio.

Our materiality levels in respect of these components were determined at:

- for the London & Associated Properties plc property investment sub group balance sheet, £1.2 million and to underlying profitability £0.4 million; and
- for the Bisichi Mining plc coal mining and property investment sub group, £0.3 million.

We agreed with the audit committee that we would report to them all unadjusted differences in excess of £15,000 for both components of the group. We also agreed to report other differences below that threshold which, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group comprises 30 trading, or active holding, companies and 12 dormant companies. Full scope audits, using component materiality, were performed on 25 of the active entities with the other five entities subjected to desktop review. Six of the full scope audits and four of the desktop reviews were performed by component auditors whose work we evaluated and reviewed for the purpose of the group audit.

This resulted in coverage of 100% of total revenues and profit before tax of the group, and 100% of total gross assets of the group.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and their 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 and the part of the directors' remuneration report required to be audited 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 set out on page 27, 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.

As part of our audit, we will consider the susceptibility of the group and parent company to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 27 July 1987 to audit the financial statements for the year ended 31 December 1987 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ending 31 December 1987 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

During the period under review agreed upon procedures were completed in respect of a number of the group's service charge accounts.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

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

Geoff Wightwick (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

30 April 2019

FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 31 December 2018

	NOTES	2018 £'000	2017 £'000 RESTATED
Group revenue	1	**56,651**	47,870
Operating costs		**(49,293)**	(40,319)
Gain on disposal of other investments		**–**	3
Operating profit		**7,358**	7,554
Finance income	4	**61**	105
Finance expenses	4	**(3,682)**	(4,268)
Debenture break cost	20	**–**	(14)
Result before revaluation and other movements		**3,737**	3,377
Non–cash changes in valuation of assets and liabilities and other movements			
(Decrease)/increase in value of investment properties	8	**(2,565)**	9,373
Write off investment in joint venture		**–**	(1,827)
Decrease in value of trading investments		**(169)**	–
Adjustment to interest rate derivative	20	**265**	355
Profit for the year before taxation	2	**1,268**	11,278
Income tax charge	5	**(675)**	(2,982)
Profit for the year		**593**	8,296
Attributable to:			
Equity holders of the Company		**(2,082)**	7,686
Non–controlling interest	24	**2,675**	610
Profit for the year		**593**	8,296
Earnings per share			
Profit/(loss) per share – basic and diluted	7	**(2.44)p**	9.01p

A revenue recognition error was identified in respect of Bisichi's prior year. An amount of £2,891,000 had been incorrectly recorded as a deduction against revenue rather than shown as an operating cost. The above comparatives have been restated accordingly.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	**593**	8,296
Other comprehensive income/(expense):		
Items that may be subsequently recycled to the income statement:		
Exchange differences on translation of Bisichi Mining PLC foreign operations	**(430)**	91
Transfer of gain on available for sale investments	**–**	103
Taxation	**–**	(20)
Other comprehensive (expense)/income for the year net of tax	**(430)**	174
Total comprehensive (expense)/income for the year net of tax	**163**	8,470
Attributable to:		
Equity shareholders	**(2,239)**	7,753
Non–controlling interest	**2,402**	717
	163	8,470

Consolidated balance sheet

at 31 December 2018

	NOTES	2018 £'000	2017 £'000
Non–current assets			
Market value of properties attributable to Group	8	**47,430**	78,025
Present value of head leases	28	**3,261**	3,233
Property		**50,691**	81,258
Mining reserves, plant and equipment	9	**8,659**	8,735
Investments	14	**1,783**	1,799
Deferred tax	21	**–**	–
		61,133	91,792
Current assets			
Inventories–property	12	**38,556**	–
Inventories–mining	13	**1,511**	828
Assets held for sale	10	**2,285**	36,441
Trade and other receivables	15	**8,022**	7,132
Interest rate derivatives	20	**–**	1
Investments	16	**887**	1,069
Cash and cash equivalents		**20,655**	7,528
		71,916	52,999
Total assets		**133,049**	144,791
Current liabilities			
Trade and other payables	17	**(13,341)**	(12,909)
Borrowings	18	**(41,388)**	(4,288)
Interest rate derivatives		**(169)**	–
Current tax liabilities		**(73)**	(358)
		(54,971)	(17,555)
Non–current liabilities			
Borrowings	18	**(15,255)**	(61,661)
Interest rate derivatives	20	**–**	(435)
Present value of head leases on properties	29	**(3,261)**	(3,233)
Provisions	19	**(1,571)**	(1,349)
Deferred tax liabilities	22	**(2,305)**	(3,848)
		(22,392)	(70,526)
Total liabilities		**(77,363)**	(88,081)
Net assets		**55,686**	56,710
Equity attributable to the owners of the parent			
Share capital	23	**8,554**	8,554
Share premium account		**4,866**	4,866
Translation reserve (Bisichi Mining PLC)		**(852)**	(695)
Capital redemption reserve		**47**	47
Retained earnings (excluding treasury shares)		**30,906**	33,227
Treasury shares	23	**(144)**	(145)
Retained earnings		**30,762**	33,082
Total equity attributable to equity shareholders		**43,377**	45,854
Non–controlling interest	24	**12,309**	10,856
Total equity		**55,686**	56,710
Net assets per share	7	**50.83p**	53.74p
Diluted net assets per share	7	**50.83p**	53.74p

These financial statements were approved by the board of directors and authorised for issue on 30 April 2019 and signed on its behalf by:

Sir Michael Heller
Director

Jonathan Mintz
Director

Company Registration No. 341829

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2018

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	TRANSLATION RESERVES £'000	CAPITAL REDEMPTION RESERVE £'000	TREASURY SHARES £'000	RETAINED EARNINGS EXCLUDING TREASURY SHARES £'000	TOTAL EXCLUDING NON–CONTROLLING INTERESTS £'000	NON–CONTROLLING INTERESTS £'000	TOTAL EQUITY £'000
Balance at 1 January 2017	8,554	4,866	(728)	47	(145)	25,648	38,242	10,389	48,631
Profit for year	–	–	–	–	–	7,686	7,686	610	8,296
Other comprehensive income:									
Currency translation	–	–	33	–	–	–	33	58	91
Gain on available for sale investments (net of tax)	–	–	–	–	–	34	34	49	83
Total other comprehensive income	–	–	33	–	–	34	67	107	174
Total comprehensive income	–	–	33	–	–	7,720	7,753	717	8,470
Transactions with owners:									
Dividends – equity holders	–	–	–	–	–	(141)	(141)	–	(141)
Dividends – non–controlling interests	–	–	–	–	–	–	–	(250)	(250)
Transactions with owners	–	–	–	–	–	(141)	(141)	(250)	(391)
Balance at 31 December 2017	8,554	4,866	(695)	47	(145)	33,227	45,854	10,856	56,710
Profit for year	–	–	–	–	–	(2,082)	(2,082)	2,675	593
Other comprehensive expense:									
Currency translation	–	–	(157)	–	–	–	(157)	(273)	(430)
Total other comprehensive expense	–	–	(157)	–	–	–	(157)	(273)	(430)
Total comprehensive income/(expense)	–	–	(157)	–	–	(2,082)	(2,239)	2,402	163
Transactions with owners:									
Share options charge	–	–	–	–	–	17	17	7	24
Dividends – equity holders	–	–	–	–	–	(256)	(256)	–	(256)
Dividends – non–controlling interests	–	–	–	–	–	–	–	(956)	(956)
Disposal of own shares	–	–	–	–	1	–	1	–	1
Transactions with owners	–	–	–	–	1	(240)	(239)	(948)	(1,187)
Balance at 31 December 2018	8,554	4,866	(852)	47	(144)	30,906	43,377	12,309	55,686

Consolidated cash flow statement

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Operating activities		
Profit for the year before taxation	**1,268**	11,278
Finance income	**(61)**	(105)
Finance expense	**3,682**	4,268
Debenture break cost	**–**	14
Realised gain on disposal of other investments	**–**	(3)
(Increase)/decrease in value of investment properties	**2,565**	(9,373)
Write off investment in joint venture	**–**	1,827
Increase in trading investments	**169**	–
Adjustment to interest rate derivative	**(265)**	(355)
Depreciation	**2,122**	1,804
Profit on disposal of non-current assets	**–**	(3)
Share based payment expense	**18**	–
Exchange adjustments	**65**	258
Change in inventories	**(797)**	896
Development expenditure on inventories	**(6,256)**	–
Change in receivables	**(235)**	196
Change in payables	**(354)**	(415)
Cash generated from operations	**1,921**	10,287
Income tax paid	**(2,281)**	(14)
Cash inflows from operating activities	**(360)**	10,273
Investing activities		
Disposal of assets held for sale	**36,474**	(56)
Acquisition of investment properties, mining reserves, plant and equipment	**(9,438)**	(1,771)
Sale of plant and equipment	**1**	29
Interest received	**199**	137
Cash (outflows)/inflows from investing activities	**27,236**	(1,661)
Financing activities		
Interest paid	**(3,711)**	(3,963)
Interest obligation under finance leases	**(178)**	(178)
Debenture stock break costs paid	**–**	(14)
Receipt of bank loan - Bisichi Mining PLC	**753**	23
Repayment of bank loan - Bisichi Mining PLC	**(19)**	(25)
Repayment of bank loan - Dragon Retail Properties Ltd	**(65)**	–
Receipt of bank loan	**7,202**	–
Repayment of bank loan	**(16,438)**	–
Short term loan from joint ventures and related parties	**(30)**	(30)
Repayment of debenture stocks	**(3,000)**	(750)
Equity dividends paid	**(255)**	(141)
Equity dividends paid - non-controlling interests	**(309)**	(250)
Cash outflows from financing activities	**(16,050)**	(5,328)
Net increase in cash and cash equivalents	**10,826**	3,284
Cash and cash equivalents at beginning of year	**6,266**	2,931
Exchange adjustment	**28**	51
Cash and cash equivalents at end of year	**17,120**	6,266

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balance sheet amounts:

	2018 £'000	2017 £'000
Cash and cash equivalents (before bank overdrafts)	**20,655**	7,528
Bank overdrafts	**(3,535)**	(1,262)
Cash and cash equivalents at end of year	**17,120**	6,266

£340,000 of cash deposits at 31 December 2018 were charged as security to debenture stocks (2017: £120,000).

£500,000 of cash deposits at 31 December 2018 were charged as security to bank loans (2017: nil).

Group accounting policies

The following are the principal Group accounting policies:

BASIS OF ACCOUNTING

The Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has elected to prepare the parent company's financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and Companies Act 2006 and these are presented in Note 30. The financial statements are prepared under the historical cost convention, except for the revaluation of freehold and leasehold properties and financial assets at fair value through profit and loss as well as fair value of interest derivatives.

The Group financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise stated.

The functional currency for each entity in the Group is the currency of the country in which the entity has been incorporated. Details of the country in which each entity has been incorporated can be found in note 11.

The exchange rates used in the accounts were as follows:

	£1 STERLING: RAND		£1 STERLING: DOLLAR	
	2018	2017	**2018**	2017
Year-end rate	**18.3723**	16.6686	**1.2690**	1.35028
Annual average	**17.5205**	17.1540	**1.3096**	1.29174

London & Associated Properties PLC ("LAP"), the parent company, is a listed public company incorporated and domiciled in England and quoted on the London Stock Exchange. The Company registration number is 341829. LAP and its subsidiaries ("the Group") consists of LAP, all of its subsidiary undertakings, including Bisichi Mining PLC ("Bisichi") and Dragon Retail Properties Limited ("Dragon"). The Group without Bisichi and Dragon is referred to as LAP Group.

REVENUE RECOGNITION RESTATEMENT

During the review of revenue recognition in South Africa a revenue recognition error was identified in respect of the treatment of transport and loading costs to deliver export coal under certain export agreements. The costs in prior periods, had been incorrectly recorded as a deduction against revenue rather than shown as an operating cost. In the current year such costs have been recorded in operating costs and the comparatives restated accordingly.

The impact on the current year is to increase both revenue and operating costs by £3,101,000 and the prior year requires an equivalent restatement totalling £2,891,000. There is no profit or net assets impact as a result of the prior year restatement.

GOING CONCERN

In reviewing going concern it is necessary to consider separately the position of LAP Group and Bisichi. Although both are consolidated into group accounts (as required by IFRS 10), they are managed independently and in the unlikely event that Bisichi was unable to continue trading this would not affect the ability of LAP Group to continue operating as a going concern. The same would be true for Bisichi in reverse.

The directors have reviewed the cash flow forecasts of the LAP Group and the underlying assumptions on which they are based. The LAP Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman and Chief Executive's Statement and Financial Review. In addition, Note 20 to the financial statements sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors believe that the LAP Group has adequate resources to continue in operational existence for the foreseeable future and that the LAP Group is well placed to manage its business risks. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Bisichi directors continue to adopt the going concern basis of accounting in preparing the Bisichi annual financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. It is effective for accounting periods beginning on or after 1 January 2018. The new standard replaces the existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements. The standard was endorsed by the EU on 22 September 2017. The new standard has not caused any material impacts on the financial statements for the year ended 31 December 2018.

IFRS 9 was published in July 2014 and is effective for the group from 1 January 2018. The standard was endorsed by the EU on 22 November 2017. IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required the Group to reassess classification of financial assets into three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics. Financial liabilities continue to be measured at either fair value through profit and loss or amortised cost. In addition, IFRS 9 introduced an expected credit loss ("ECL") impairment model, which means that anticipated as opposed to incurred credit losses are recognised which may result in earlier recognition of impairments. Application of IFRS 9 has not had a significant impact on the Group's reported results or its credit risk management policies.

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates. The following new and revised IFRS standards, which are applicable to the group, were issued but are not yet effective:

IFRS 16 'Leases' – IFRS 16 'Leases' was issued by the IASB in January 2017 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard, which has been endorsed by the EU, provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Directors are currently evaluating the financial and operational impact of this standard including the application to the Bisichi group's service contracts at the mine containing leases. The review of the impact of IFRS 16 will require an assessment of all leases and the impact of adopting this standard cannot be reliably estimated until this work is substantially complete.

The Directors do not anticipate that the adoption of the other standards and interpretations not listed above will have a material impact on the accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

We are committed to improving disclosure and transparency and will continue to work with our different stakeholders to ensure they understand the detail of these accounting changes. We continue to remain committed to a robust financial policy.

KEY JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make assumptions and estimates that may affect the reported amounts of assets and liabilities and the reported income and expenses, further details of which are set out below. Although management believes that the assumptions and estimates used are reasonable, the actual results may differ from those estimates. Further details of the estimates and judgements which may have a material impact on next year's financial statements are contained in the Directors' Report.

PROPERTY OPERATIONS

Fair value measurements of investment properties and investments

An assessment of the fair value of certain assets and liabilities, in particular investment properties, is required to be performed. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged between market participants. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty.

Inventory

When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to inventory and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties. The Board have decided that Orchard Square, Sheffield no longer fits our longer-term criteria for an investment property held to generate capital growth. Accordingly, it has been transferred to inventory. A series of asset management initiatives and developments are underway, and it is our intention to sell this asset on completion of those projects.

MINING OPERATIONS

Life of mine and reserves

The directors consider their judgements and estimates surrounding the life of the mine and its reserves to have significant effect on the amounts recognised in the financial statements and to be an area where the financial statements are at most risk of a significant estimation uncertainty. The life of the mine remaining is currently estimated at 4 years. This life of mine is based on the Groups existing coal reserves and excludes future coal purchases and coal reserve acquisitions. The Group's estimates of proven and probable reserves are prepared and subject to assessment by an independent Competent Person experienced in the field of coal geology and specifically opencast and pillar coal extraction. Estimates of coal reserves impact assessments of the carrying value of property, plant and equipment, depreciation calculations and rehabilitation and decommissioning provisions. There are numerous uncertainties inherent in estimating coal reserves and changes to these assumptions may result in restatement of reserves. These assumptions include geotechnical factors as well as economic factors such as commodity prices, production costs and yield.

Depreciation, amortisation of mineral rights, mining development costs and plant & equipment

The annual depreciation/amortisation charge is dependent on estimates, including coal reserves and the related life of the mine, expected development expenditure for probable reserves, the allocation of certain assets to relevant ore reserves and estimates of residual values of the processing plant. The charge can fluctuate when there are significant changes in any of the factors or assumptions used, such as estimating mineral reserves which in turn affects the life of mine or the expected life of reserves. Estimates of proven and probable reserves are prepared by an independent Competent Person. Assessments of depreciation/amortisation rates against the estimated reserve base are performed regularly. Details of the depreciation/amortisation charge can be found in note 9.

Provision for mining rehabilitation including restoration and de-commissioning costs

A provision for future rehabilitation including restoration and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the timing, extent and costs of the rehabilitation activities and of the risk free rates used to determine the present value of the future cash outflows. The provisions, including the estimates and assumptions contained therein, are reviewed regularly by management. The Group engages an independent expert to assess the cost of restoration and decommissioning annually as part of management's assessment of the provision. Details of the provision for mining rehabilitation can be found in note 19.

Mining impairment

Property, plant and equipment representing the Group's mining assets in South Africa are reviewed for impairment at each reporting date. The impairment test is performed using the approved Life of Mine plan and those future cash flow estimates are discounted using asset specific discount rates and are based on expectations about future operations. The impairment test requires estimates about production and sales volumes, commodity prices, proven and probable reserves (as assessed by the Competent Person), operating costs and capital expenditures necessary to extract reserves in the approved Life of Mine plan. Changes in such estimates could impact recoverable values of these assets. Details of the carrying value of property, plant and equipment can be found in note 9.

The impairment test indicated significant headroom as at 31 December 2018 and therefore no impairment is considered appropriate. The key assumptions include: coal prices, including domestic coal prices based on recent pricing and assessment of market forecasts for export coal; production based on proven and probable reserves assessed by the independent Competent Person and yields associated with mining areas based on assessments by the Competent Person and empirical data. A 15% reduction in average forecast coal prices or a 17% reduction in yield would give rise to a breakeven scenario. However, the Bisichi directors consider the forecasted yield levels and pricing to be achievable.

BASIS OF CONSOLIDATION

The Group accounts incorporate the accounts of LAP and all of its subsidiary undertakings, together with the Group's share of the results and net assets of its joint ventures.

Non–controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the parent company. When changes in ownership in a subsidiary do not result in a loss of control, the non–controlling shareholders' interests are initially measured at the non–controlling interests' proportionate share of the subsidiaries' net assets. Subsequent to this, the carrying amount of non–controlling interests is the amount of those interests at initial recognition plus the non–controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non–controlling interests even if this results in the non–controlling interests having a deficit balance.

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

All intra Group transactions, balances, income and expenses are eliminated on consolidation. Details of the Group's trading subsidiary companies are set out in Note 11.

The directors are required to consider the implications of IFRS 10 on the LAP investment in Bisichi Mining PLC ("Bisichi"). Related parties also have shareholdings in Bisichi. When combined with the 42% held by LAP and, taking account of the wide disposition of other shareholders, there is potential for LAP and these related parties to exercise voting control over Bisichi. IFRS 10 makes it clear that possible voting control is of more significance than actual management control.

For this reason the directors have concluded that there is a requirement to consolidate Bisichi with LAP. While, in theory, they could achieve control, in practice they do not get involved in the day to day operations of Bisichi. The directors have presented consolidated accounts using the published accounts of Bisichi but it is important to note that any figures, risks and assumptions attributable to that company are the responsibility of the Bisichi Board of directors who are independent from LAP.

As a result of treating Bisichi as a subsidiary, Dragon Retail Properties Limited and West Ealing Properties Limited are also subsidiaries for accounting purposes, as LAP and Bisichi each own 50% of these joint venture businesses.

GOODWILL

Goodwill arising on acquisition is recognised as an intangible asset and initially measured at cost, being the excess of the cost of the acquired entity over the Group's interest in the fair value of the assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill arising from the difference in the calculation of deferred tax for accounting purposes and fair value in negotiations is judged not to be an asset and is accordingly impaired on completion of the relevant acquisition.

REVENUE

Revenue comprises sales of coal, property rental income and property management fees.

Rental income

Rental income arises from operating leases granted to tenants. An operating lease is a lease other than a finance lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to the lessee. Rental income is recognised in the Group income statement on a straight–line basis over the term of the lease. This includes the effect of lease incentives to tenants, which are normally in the form of rent free periods. Contingent rents, being the difference between the rent currently receivable and the minimum lease payments, are recognised in property income in the periods in which they are receivable. Rent reviews are recognised when such reviews have been agreed with tenants.

Service charge income

Service charge income and management fees are recorded as income in the period in which they are earned.

Reverse surrender premiums

Payments received from tenants to surrender their lease obligations are recognised immediately in the income statement.

Dilapidations

Dilapidations monies received from tenants in respect of their lease obligations are recognised immediately in the income statement.

Other revenue

Revenue in respect of listed investments held for trading represents investment dividends received and profit or loss recognised on realisation. Dividends are recognised in the income statement when the dividend is received.

PROPERTY OPERATING EXPENSES

Operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

EMPLOYEE BENEFITS

Share based remuneration

The Company operates a long–term incentive plan and two share option schemes. The fair value of the conditional awards on shares granted under the long–term incentive plan and the options granted under the share option scheme is determined at the date of grant. This fair value is then expensed on a straight–line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At each reporting date, the fair value of the non–market based performance criteria of the long–term incentive plan is recalculated and the expense is revised. In respect of the share option scheme, the fair value of options granted is calculated using a binomial method.

PENSIONS

The Company operates a defined contribution pension scheme. The contributions payable to the scheme are expensed in the period to which they relate.

FOREIGN CURRENCIES

Monetary assets and liabilities are translated at year end exchange rates and the resulting exchange rate differences are included in the consolidated income statement within the results of operating activities if arising from trading activities, including inter-company trading balances and within finance cost / income if arising from financing.

For consolidation purposes, income and expense items are included in the consolidated income statement at average rates, and assets and liabilities are translated at year end exchange rates. Translation differences arising on consolidation are recognised in other comprehensive income. Foreign exchange differences on intercompany loans are recorded in other comprehensive income when the loans are not considered trading balances and are not expected to be repaid in the foreseeable future. Where foreign operations are sold or closed, the cumulative exchange differences attributable to that foreign operation are recognised in the consolidated income statement when the gain or loss on disposal is recognised.

Transactions in foreign currencies are translated at the exchange rate ruling on transaction date.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets
Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVPL") depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

Investments
Investments comprise of (a) a loan to a limited property partnership, included in non-current investments, and (b) investments in shares of listed companies. Current and non-current Investments are initially measured at fair value and are subsequently measured at fair value through profit and loss, based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset. Fair value movements are recognised in profit or loss.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Trade and other receivables
Trade receivables are accounted for at amortised cost. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate expected credit loss allowances for estimated recoverable amounts as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Trade and other payables
Trade and other payables are non-interest bearing and are stated at their nominal value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Bank loans and overdrafts
Bank loans and overdrafts are included as financial liabilities on the Group balance sheet net of the unamortised discount and costs of issue. The cost of issue is recognised in the Group income Statement over the life of the bank loan. Interest payable on those facilities is expensed as a finance cost in the period to which it relates.

Debenture loans
The debenture loan is included as a financial liability on the balance sheet net of the unamortised costs on issue. The cost of issue is recognised in the Group income statement over the life of the debenture. Interest payable to debenture holders is expensed in the period to which it relates.

Finance lease liabilities
Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is calculated as the present value of the minimum lease payments, reducing in subsequent reporting periods by the apportionment of payments to the lessor. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate. Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the period in which they are incurred.

Interest rate derivatives
The Group uses derivative financial instruments to hedge the interest rate risk associated with the financing of the Group's business. No trading in such financial instruments is undertaken. At each reporting date, these interest rate derivatives are recognised at their fair value to the business, being the Net Present Value of the difference between the hedged rate of interest and the market rate of interest for the remaining period of the hedge.

Ordinary shares
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares
When the Group's own equity instruments are repurchased, consideration paid is deducted from equity as treasury shares until they are cancelled. When such shares are subsequently sold or reissued, any consideration received is included in equity.

INVESTMENT PROPERTIES

Valuation
Investment properties are those that are held either to earn rental income or for capital appreciation or both, including those that are undergoing redevelopment for future use as an investment property. They are reported on the Group balance sheet at fair value, being the amount for which an investment property could be exchanged between knowledgeable and willing parties in an arm's length transaction. The directors' property valuation is at fair value.

The external valuation of properties is undertaken by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and categories of properties being valued. Surpluses or deficits resulting from changes in the fair value of investment property are reported in the Group income statement in the period in which they arise.

Capital expenditure
Investment properties are measured initially at cost, including related transaction costs. Additions to capital expenditure, being costs of a capital nature, directly attributable to the redevelopment or refurbishment of an investment property held for future use as an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property. Where there is a change of use, such as commencement of development with a view to sell, the property is transferred to inventory at deemed cost, which is its fair value on the date of the change in use. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes, or for that part of the development costs financed out of borrowings the capitalised interest is calculated on the basis of the average rate of interest paid on the relevant debt outstanding.

Disposal
The disposal of investment properties is recorded on completion of the contract. On disposal, any gain or loss is calculated as the difference between the net disposal proceeds and the valuation at the last year end plus subsequent capitalised expenditure in the period.

Depreciation and amortisation
In applying the fair value model to the measurement of investment properties, depreciation and amortisation are not provided in respect of investment properties.

OTHER ASSETS AND DEPRECIATION

The cost, less estimated residual value, of other property, plant and equipment is written off on a straight–line basis over the asset's expected useful life. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively. The depreciation rates generally applied are:

Motor vehicles	25–33 per cent per annum
Office equipment	10–33 per cent per annum

ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of sale. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, or investment property which continues to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as assets held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investment is no longer equity accounted.

INVENTORIES–PROPERTY

Those properties held as trading inventory which are being developed with a view to sell. Inventories are recorded at the lower of cost and net realisable value. The net realisable value of inventory is determined by a professional external valuer at each reporting date. If the net realisable value of inventory is lower than its carrying value, an impairment loss is recorded in the income statement. If, in subsequent periods, the net realisable value of inventory that was previously impaired increases above its carrying value, the impairment is reversed to align the carrying value of the property with the net realisable value. Inventory are presented on the balance sheet within current assets.

INCOME TAXES

The charge for current taxation is based on the results for the year as adjusted for disallowed or non–assessable items. Tax payable upon realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations and is recorded using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. In respect of the deferred tax on the revaluation surplus, this is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment portfolio as at the reporting date. The calculation takes account of indexation on the historic cost of properties and any available capital losses. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Group income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

DIVIDENDS

Dividends payable on the ordinary share capital are recognised as a liability in the period in which they are approved.

CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and on-demand deposits. Cash and cash equivalents comprises short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and original maturities of three months or less.

The cash and cash equivalents shown in the cashflow statement are stated net of bank overdrafts that are repayable on demand as per IAS 7. This includes the structured trade finance facility held in South Africa as detailed in note 20. These facilities are considered to form an integral part of the treasury management of the Group and can fluctuate from positive to negative balances during the period.

BISICHI MINING PLC

Mining revenue
Revenue is recognised when the customer has a legally binding obligation to settle under the terms of the contract when the performance obligations has been satisfied, which is once control of the goods and/or services have transferred to the buyer. Revenue is measured based on consideration specified in the contract with a customer on a per metric tonne basis.

Mining costs
Expenditure is recognised in respect of goods and services received. Where coal is purchased from third parties at point of extraction the expenditure is only recognised when the coal is extracted and all of the significant risks and rewards of ownership have been transferred.

Mining reserves, plant and equipment
The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in accordance with agreed specifications. Freehold land is not depreciated. Other property, plant and equipment is stated at historical cost less accumulated depreciation. The cost recognised includes the recognition of any decommissioning assets related to property, plant and equipment.

Heavy surface mining and other plant and equipment is depreciated at varying rates depending upon its expected usage. The depreciation rates generally applied are between 5-10 per cent per annum, but limited to the shorter of its useful life or the life of the mine.

Other non–current assets, comprising motor vehicles and office equipment, are depreciated at a rate of between 10% and 33% per annum which is calculated to write off the cost, less estimated residual value of the assets, on a straight line basis over their expected useful lives.

Mine inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and overheads relevant to the stage of production. Cost is determined using the weighted average method. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Mine provisions
Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

A provision for rehabilitation of the mine is initially recorded at present value and the discounting effect is unwound over time as a finance cost. Changes to the provision as a result of changes in estimates are recorded as an increase/decrease in the provision and associated decommissioning asset. The decommissioning asset is depreciated in line with the Group's depreciation policy over the life of mine. The provision includes the restoration of the underground, opencast, surface operations and de-commissioning of plant and equipment. The timing and final cost of the rehabilitation is uncertain and will depend on the duration of the mine life and the quantities of coal extracted from the reserves.

Mine impairment
Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable that asset is reviewed for impairment. This includes mining reserves, plant and equipment and net investments in joint ventures. A review involves determining whether the carrying amounts are in excess of the recoverable amounts.

An asset's recoverable amount is determined as the higher of its fair value less costs of disposal and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken on a company or Group level.

If the carrying amount of an asset exceeds its recoverable amount an asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use). Any change in carrying value is recognised in the comprehensive income statement.

Mine reserves and development cost
The purpose of mine development is to establish secure working conditions and infrastructure to allow the safe and efficient extraction of recoverable reserves. Depreciation on mine development is not charged until production commences or the assets are put to use. On commencement of full commercial production, depreciation is charged over the life of the associated mine reserves extractable using the asset on a unit of production basis. The unit of production calculation is based on tonnes mined as a ratio to proven and probable reserves and also includes future forecast capital expenditure. The cost recognised includes the recognition of any decommissioning assets related to mine development.

Post production stripping
In surface mining operations, the Group may find it necessary to remove waste materials to gain access to coal reserves prior to and after production commences. Prior to production commencing, stripping costs are capitalised until the point where the overburden has been removed and access to the coal seam commences. Subsequent to production, waste stripping continues as part of the extraction process as a run of mine activity. There are two benefits accruing to the Group from stripping activity during the production phase: extraction of coal that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. Economic coal extracted is accounted for as inventory. The production stripping costs relating to improved access to further quantities in future periods are capitalised as a stripping activity asset, if and only if, all of the following are met:

- it is probable that the future economic benefit associated with the stripping activity will flow to the Group;
- the Group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component or components can be measured reliably.

In determining the relevant component of the coal reserve for which access is improved, the Group componentises its mine into geographically distinct sections or phases to which the stripping activities being undertaken within that component are allocated. Such phases are determined based on assessment of factors such as geology and mine planning.

The Group depreciates deferred costs capitalised as stripping assets on a unit of production method, with reference to the tons mined and reserve of the relevant ore body component or phase.

SEGMENTAL REPORTING

For management reporting purposes, the Group is organised into business segments distinguishable by economic activity. The Group's business segments are LAP operations, Bisichi operations and Dragon operations. These business segments are subject to risks and returns that are different from those of other business segments and are the primary basis on which the Group reports its segmental information. This is consistent with the way the Group is managed and with the format of the Group's internal financial reporting. Significant revenue from transactions with any individual customer, which makes up 10 per cent or more of the total revenue of the Group, is separately disclosed within each segment. All coal exports are sales to coal traders at Richard Bay's terminal in South Africa with the risks and rewards passing to the coal trader at the terminal. Whilst the coal traders will ultimately sell the coal on the international markets the Group has no visibility over the ultimate destination of the coal. Accordingly, the export sales are recorded as South Africa revenue.

Notes to the financial statements

for the year ended 31 December 2018

1. RESULTS FOR THE YEAR AND SEGMENTAL ANALYSIS

Operating Segments are based on the internal reporting and operational management of the Group. LAP is focused primarily on property activities (which generate trading income), but it also holds and manages investments. IFRS 10 requires the Group to treat Bisichi as a subsidiary and therefore it is consolidated, rather than being included in the accounts as an associate using the equity method. The Group has also consolidated Dragon, a company which the Company jointly controls with Bisichi; Bisichi is a coal mining company with operations in South Africa and also holds investment property in the United Kingdom and derives income from property rentals. Dragon is a property investment company and derives its income from property rentals. These operating segments (LAP, Bisichi and Dragon) are each viewed separately and have been so reported below.

Business segments

BUSINESS ANALYSIS	LAP £'000	BISICHI £'000	DRAGON £'000	2018 TOTAL £'000
Rental income	5,049	1,065	167	**6,281**
Service charge income	802	137	–	**939**
Management income from third party properties	718	–	–	**718**
Mining	–	48,713	–	**48,713**
Group Revenue	6,569	49,915	167	**56,651**
Direct property costs	(2,269)	(340)	–	**(2,609)**
Direct mining costs	–	(34,309)	–	**(34,309)**
Overheads	(4,035)	(6,050)	(105)	**(10,190)**
Exchange losses	–	(63)	–	**(63)**
Depreciation	(9)	(2,113)	–	**(2,122)**
Operating profit	256	7,040	62	**7,358**
Finance income	37	24	–	**61**
Finance expenses	(3,111)	(538)	(33)	**(3,682)**
Result before valuation movements	(2,818)	6,526	29	**3,737**
Other segment items				
Net decrease on revaluation of investment properties	(2,170)	(215)	(180)	**(2,565)**
Net decrease on revaluation of investments held for trading	–	(169)	–	**(169)**
Adjustment to interest rate derivative	265	–	–	**265**
Revaluation and other movements	(1,905)	(384)	(180)	**(2,469)**
(Loss)/profit for the year before taxation	(4,723)	6,142	(151)	**1,268**
Segment assets				
- Non-current assets - property	35,011	13,230	2,450	**50,691**
- Non-current assets - plant & equipment	106	8,531	22	**8,659**
- Cash & cash equivalents	11,345	9,221	89	**20,655**
- Non-current assets - other	1,748	35	–	**1,783**
- Current assets - others	1,947	8,290	183	**10,420**
Total assets excluding investment in joint ventures, assets held for sale and property inventories	50,157	39,307	2,744	**92,208**
Segment liabilities				
Borrowings	(45,352)	(10,127)	(1,164)	**(56,643)**
Current liabilities	(6,372)	(7,158)	(73)	**(13,603)**
Non-current liabilities	(3,122)	(3,962)	(33)	**(7,117)**
Total liabilities	(54,846)	(21,247)	(1,270)	**(77,363)**
Net (liabilities)/assets	(4,689)	18,060	1,474	**14,845**
Assets held for sale	2,285	–	–	**2,285**
Inventories–property	38,556	–	–	**38,556**
Net assets as per balance sheet				**55,686**
Major customers				
Customer A	–	34,112	–	**34,112**
Customer B	–	11,557	–	**11,557**

These customers are for mining revenue in South Africa.

GEOGRAPHIC ANALYSIS	UNITED KINGDOM £'000	SOUTH AFRICA £'000	2018 TOTAL £'000
Revenue	8,015	48,636	**56,651**
Operating profit	1,274	6,084	**7,358**
Non-current assets excluding investments	50,820	8,530	**59,350**
Total net assets	51,118	4,568	**55,686**
Capital expenditure	6,574	2,864	**9,438**

1. RESULTS FOR THE YEAR AND SEGMENTAL ANALYSIS CONTINUED

BUSINESS ANALYSIS	LAP £'000	BISICHI £'000 RESTATED	DRAGON £'000	2017 TOTAL £'000 RESTATED
Rental income	6,825	1,112	166	8,103
Management income from third party properties	542	–	–	542
Mining	–	39,225	–	39,225
Group Revenue	7,367	40,337	166	47,870
Direct property costs	(926)	(152)	(1)	(1,079)
Direct mining costs	–	(28,555)	–	(28,555)
Overheads	(2,869)	(5,589)	(164)	(8,622)
Exchange gains	–	(256)	–	(256)
Depreciation	(13)	(1,790)	(1)	(1,804)
Operating profit	3,559	3,995	-	7,554
Finance income	38	67	-	105
Finance expenses	(3,706)	(526)	(29)	(4,268)
Debenture break costs	(14)	-	-	(14)
Result before valuation movements	(130)	3,536	(29)	3,377
Other segment items				
Net increase/(decrease) on revaluation of investment properties	9,386	(13)	–	9,373
Write off investment in joint venture	–	(1,827)	–	(1,827)
Adjustment to interest rate derivative	358	–	(3)	355
Revaluation and other movements	9,744	(1,840)	(3)	7,901
Profit/(loss) for the year before taxation	9,614	1,696	(32)	11,278
Segment assets				
- Non-current assets - property	65,231	13,397	2,630	81,258
- Non-current assets - plant & equipment	116	8,613	6	8,735
- Cash & cash equivalents	2,109	5,327	92	7,528
- Non-current assets - other	1,748	51	–	1,799
- Current assets - others	2,715	6,285	30	9,030
Total assets excluding investment in joint ventures and assets held for sale	71,919	33,673	2,758	108,350
Segment liabilities				
Borrowings	(57,571)	(7,160)	(1,218)	(65,949)
Current liabilities	(5,588)	(7,556)	(123)	(13,267)
Non-current liabilities	(4,806)	(3,986)	(73)	(8,865)
Total liabilities	(67,965)	(18,702)	(1,414)	(88,081)
Net assets	3,954	14,971	1,344	20,269
Assets held for sale	36,441	–	–	36,441
Net assets as per balance sheet				56,710
Major customers				
Customer A	–	27,528	–	27,528
Customer B	–	7,226	–	7,226
These customers are for mining revenue in South Africa.				

GEOGRAPHIC ANALYSIS	UNITED KINGDOM £'000	SOUTH AFRICA £'000	2017 TOTAL £'000
Revenue	8,692	39,178	47,870
Operating profit	4,645	2,909	7,554
Non-current assets excluding investments	81,383	8,610	89,993
Total net assets	52,452	4,258	56,710
Capital expenditure	30	1,741	1,771

Group revenue is external to the Group and the directors consider that inter segmental revenues are not material. Revenue includes the reversal of contingent rents of £0.1 million (2017: contingent rents of £0.7 million).

The directors have disclosed service charge income separately as a component of revenue in 2018, with a corresponding grossing up of direct property costs. In 2017 and prior years, service charges were shown netted against direct property costs. Management considers the approach adopted in 2018 is more informative and intends to continue with this approach in future years. The revised disclosure does not change operating profit. For 2017 the amount of service charge income received by the Group was £836,000. Accordingly, the change in presentation is not considered to be sufficiently material to warrant amending prior periods' disclosures.

Segmental property revenue is derived from rental income and service charges recoverable from tenants. This is consistent with the revenue information disclosed for each reportable segment (see note 1). Rental income is recognised on a straight-line basis over the term of the lease. Service charges recoverable from tenants are recognised over time as the service is rendered. Segmental mining revenue is derived principally from coal sales and is recognised once the control of the goods has transferred from the group to the buyer. Revenue is measured based on the consideration specified in the contract with the customer or tenant.

2. PROFIT BEFORE TAXATION

	2018 £'000	2017 £'000
Profit before taxation is stated after charging/(crediting):		
Staff costs (see note 26)	**9,889**	8,113
Depreciation on tangible fixed assets - owned assets	**2,123**	1,804
Operating lease rentals - land and buildings	**454**	411
Exchange loss	**63**	256
Profit on disposal of motor vehicles and office equipment	**6**	(3)
Amounts payable to the auditor in respect of both audit and non-audit services		
Audit services		
Statutory - Company and consolidation	**83**	83
Subsidiaries - audited by RSM	**17**	17
Subsidiaries - audited by other auditors	**78**	51
Further assurance services	**4**	4
Other services	**9**	5
	191	160

Staff costs are included in overheads.

3. DIRECTORS' EMOLUMENTS

	2018 £'000	2017 £'000
Emoluments	**1,899**	894
Defined contribution pension scheme contributions	**10**	27
	1,909	921

Sir Michael Heller received £284,000 (2017: £75,000) as a Director of Bisichi Mining PLC.

Details of directors' emoluments and share options are set out in the remuneration report.

4. FINANCE INCOME AND EXPENSES

	2018 £'000	2017 £'000
Finance income	**61**	105
Finance expenses		
Interest on bank loans and overdrafts	**(2,034)**	(2,223)
Unwinding of discount (Bisichi)	**(43)**	(92)
Other loans	**(1,169)**	(1,414)
Interest on derivatives	**(269)**	(337)
Interest on obligations under finance leases	**(167)**	(202)
Total finance expenses	**(3,682)**	(4,268)

5. INCOME TAX

	2018 £'000	2017 £'000
Current tax		
Corporation tax on profit of the period	**2,017**	369
Corporation tax on profit of previous periods	**33**	(5)
Total current tax	**2,050**	364
Deferred tax		
Loss utilised	**3,740**	–
Origination of timing differences	**(57)**	(35)
Revaluation of investment properties	**(5,056)**	2,348
Accelerated capital allowances	**(120)**	235
Fair value of interest derivatives	**51**	68
Adjustment in respect of prior years	**67**	2
Total deferred tax (notes 21 and 22)	**(1,375)**	2,618
Tax on profit on ordinary activities	**675**	2,982

5. INCOME TAX CONTINUED

Factors affecting tax charge for the year

The corporation tax assessed for the year is different from that at the effective rate of corporation tax in the United Kingdom of 19.00 per cent (2017: 19.25 per cent). The differences are explained below:

	2018 £'000	2017 £'000
Profit for the year before taxation	**1,268**	11,278
Taxation at 19 per cent (2017: 19.25 per cent)	**241**	2,171
Effects of:		
Capital gains / (losses) on disposal	**(1,799)**	1,792
Other differences	**2,058**	(785)
Adjustment in respect of prior years	**(33)**	(3)
Deferred tax rate adjustment	**208**	(193)
Income tax charge for the year	**675**	2,982

Other differences include foreign tax £618,000 (2017: £175,000), deferred tax not recognised on losses £421,000 (2017: nil).

Analysis of United Kingdom and overseas tax:

United Kingdom tax included in above:

	2018 £'000	2017 £'000
Corporation tax	**(10)**	233
Adjustment in respect of prior years	**33**	(5)
Current tax	**23**	228
Deferred tax	**(1,458)**	2,219
	(1,435)	2,447

Overseas tax included above:

	2018 £'000	2017 £'000
Corporation tax	**2,026**	136
Current tax	**2,026**	136
Deferred tax	**84**	397
Adjustment in respect of prior years	**-**	2
Deferred tax	**84**	399
	2,110	535

Factors that may affect future tax charges:

Based on current capital expenditure plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years, but at a slightly lower level than in the current year.

A deferred tax provision has been made for gains on revaluing investment properties.

The Finance Bill 2016 was substantively enacted on 7 September 2016. This includes a reduction in the rate of Corporation tax from 19% effective from 1 April 2017 to 17% from 1 April 2020.

The Finance (no. 2) Act 2017 was substantively enacted on 16 November 2017. This includes a restriction on the utilisation of brought forward tax losses and corporate interest in certain circumstances effective from 1 April 2017.

6. DIVIDEND

	2018		2017	
	PER SHARE	£'000	PER SHARE	£'000
Dividends paid during the year relating to the prior period	**0.300p**	**256**	0.165p	141
Dividends to be paid:				
Proposed final dividend for the year	**0.180p**	**154**	0.175p	149
Proposed special dividend for the year	**–**	**–**	0.125p	107

7. (LOSS)/PROFIT PER SHARE AND NET ASSETS PER SHARE

(Loss)/profit per share has been calculated as follows:

	2018	2017
(Loss)/profit for the year for the purposes of basic and diluted profit/(loss) per share (£'000)	**(2,082)**	7,686
Weighted average number of ordinary shares in issue for the purpose of basic (loss)/profit per share ('000)	**85,325**	85,322
Basic (loss)/profit per share	**(2.44)p**	9.01p
Weighted average number of ordinary shares in issue for the purpose of diluted (loss)/profit per share ('000)	**85,325**	85,322
Fully diluted (loss)/profit per share	**(2.44)p**	9.01p

Weighted average number of shares in issue is calculated after excluding treasury shares of 218,197 (2017: 221,061).

Net assets per share have been calculated as follows:

	2018	2017
Net assets (£'000)	**43,377**	45,854
Shares in issue ('000)	**85,322**	85,322
Basic net assets per share	**50.83p**	53.74p
Net assets diluted (£'000)	**43,377**	45,854
Shares in issue ('000)	**85,322**	85,322
Diluted net assets per share	**50.83p**	53.74p

8. INVESTMENT PROPERTIES

	TOTAL £'000	FREEHOLD £'000	LEASEHOLD OVER 50 YEARS £'000	LEASEHOLD UNDER 50 YEARS £'000
Cost or valuation at 1 January 2018	81,258	62,425	16,856	1,977
(Decrease)/increase on revaluation	(2,565)	(2,075)	(575)	85
Transfer to assets held for sale (note 10)	(2,285)	(2,285)	–	–
Transfer to inventory (note 12)	(32,300)	(32,300)	–	–
Acquisition of property	6,553	6,553	–	–
Increase/(decrease) in present value of head leases	30	–	33	(3)
At 31 December 2018	**50,691**	**32,318**	**16,314**	**2,059**
Representing assets stated at:				
Valuation	47,430	32,318	13,996	1,116
Present value of head leases	3,261	–	2,318	943
	50,691	**32,318**	**16,314**	**2,059**

	TOTAL £'000	FREEHOLD £'000	LEASEHOLD OVER 50 YEARS £'000	LEASEHOLD UNDER 50 YEARS £'000
Cost or valuation at 1 January 2017	109,847	88,585	19,620	1,642
Transfer to assets held for sale (note 10)	(36,441)	(36,441)	–	–
Additions in year	13	13	–	–
(Decrease)/increase in present value of head leases	(1,534)	–	(1,839)	305
Increase/(decrease) on revaluation	9,373	10,268	(925)	30
At 31 December 2017	**81,258**	**62,425**	**16,856**	**1,977**
Representing assets stated at:				
Valuation	78,025	62,425	14,570	1,030
Present value of head leases	3,233	–	2,286	947
	81,258	**62,425**	**16,856**	**1,977**

The leasehold and freehold properties, excluding the present value of head leases and directors' valuations, were valued as at 31 December 2018 by professional firms of chartered surveyors. The valuations were made at fair value. The directors' property valuations were made at fair value.

8. INVESTMENT PROPERTIES CONTINUED

	2018 £'000	2017 £'000
Allsop LLP	**32,785**	62,955
Carter Towler	**13,045**	13,245
Directors' valuations	**1,600**	1,825
	47,430	78,025
Add: present value of headleases	**3,261**	3,233
	50,691	81,258

The historical cost of investment properties, including total capitalised interest of £1,161,000 (2017: £1,161,000) was as follows:

	2018 FREEHOLD £'000	2018 LEASEHOLD OVER 50 YEARS £'000	2018 LEASEHOLD UNDER 50 YEARS £'000	2017 FREEHOLD £'000	2017 LEASEHOLD OVER 50 YEARS £'000	2017 LEASEHOLD UNDER 50 YEARS £'000
Cost at 1 January	**67,702**	**17,653**	**1,939**	72,711	17,653	1,939
Transfer to assets held for sale (note 10)	**(202)**	**–**	**–**	(5,022)	–	–
Transfer to inventory (note 12)	**(38,902)**	**–**	**–**	–	–	–
Additions	**6,553**	**–**	**–**	13	–	–
Cost at 31 December	**35,151**	**17,653**	**1,939**	67,702	17,653	1,939

Each year external valuers are appointed by the executive directors on behalf of the Board. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the Group.

Valuations are performed annually and are performed consistently across all properties in the Group's portfolio. At each reporting date appropriately qualified employees of the Group verify all significant inputs and review the computational outputs. Valuers submit their report to the Board on the outcome of each valuation.

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, EBITDA, discount rates, construction costs including any specific site costs (for example section 106), professional fees, developer's profit including contingencies, planning and construction timelines, lease regear costs, planning risk and sales prices based on known market transactions for similar properties to those being valued.

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use the valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and likelihood of achieving and implementing this change in arriving at the valuation.

There are often restrictions on Freehold and Leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission or lease extension and renegotiation of use are required or when a credit facility is in place. These restrictions are factored into the property's valuation by the external valuer.

The methods of fair value measurement are classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

Level 1: valuation based on inputs on quoted market prices in active markets.

Level 2: valuation based on inputs other than quoted prices included within level 1 that maximise the use of observable data directly or from market prices or indirectly derived from market prices.

Level 3: where one or more significant inputs to valuations are not based on observable market data.

CLASS OF PROPERTY LEVEL 3	CARRYING / FAIR VALUE 2018 £'000	CARRYING/ FAIR VALUE 2017 £'000	VALUATION TECHNIQUE	KEY UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE) 2018	RANGE (WEIGHTED AVERAGE) 2017
Freehold – external valuation	**30,720**	60,600	Income capitalisation	Estimated Rental Value Per sq ft p.a Equivalent Yield	**£4 – £39 (£16)** **5.3% – 12.9% (9.7%)**	£5 – £39 (£19) 4.9% – 12.9% (8.4%)
Leasehold over 50 years – external valuation	**13,995**	14,570	Income capitalisation	Estimated Rental Value Per sq ft p.a Equivalent Yield	**£5 – £10 (£9)** **5.8% – 19.9% (12.9%)**	£5 – £10 (£9) 5.8% – 17.6% (9%)
Leasehold under 50 years – external valuation	**1,115**	1,030	Income capitalisation	Estimated Rental Value Per sq ft p.a Equivalent Yield	**£4 – £5 (£5)** **22.9% – 25.8% (23.5%)**	£4 – £5 (£5) 25.4% – 25.8% (25.5%)
Freehold – Directors' valuation	**1,600**	1,825	Income capitalisation	Estimated Rental Value Per sq ft p.a Equivalent Yield	**£5 – £5 (£5)** **7.0% – 7.0% (7.0%)**	£5 – £5 (£5) 6.1% – 6.1% (6.1%)
At 31 December	**47,430**	78,025				

There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, for example, an increase in rent may be offset by an increase in yield.

8. INVESTMENT PROPERTIES CONTINUED

The table below illustrates the impact of changes in key unobservable inputs on the carrying / fair value of the Group's properties.

	ESTIMATED RENTAL VALUE 10% INCREASE OR (DECREASE)		EQUIVALENT YIELD 25 BASIS POINT CONTRACTION OR (EXPANSION)	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Freehold – external valuation	**3,067/(3,067)**	6,055/(6,055)	**948/(891)**	2,095/(1,956)
Leasehold over 50 years – external valuation	**1,400/(1,400)**	1,457/(1,457)	**337/(320)**	355/(338)
Leasehold under 50 years – external valuation	**112/(112)**	103/(103)	**12/(12)**	10/(10)
Freehold – Directors' valuation	**160/(160)**	183/(183)	**59/(55)**	78/(71)

9. MINING RESERVES, PLANT AND EQUIPMENT

	TOTAL £'000	MINING RESERVES £'000	MINING EQUIPMENT £'000	OFFICE EQUIPMENT AND MOTOR VEHICLES £'000
Cost at 1 January 2018	27,996	1,366	25,902	728
Exchange adjustment	(2,688)	(126)	(2,531)	(31)
Additions	2,883	–	2,777	106
Disposals	(18)	–	–	(18)
At 31 December 2018	**28,173**	**1,240**	**26,148**	**785**
Accumulated depreciation at 1 January 2018	19,261	1,308	17,441	512
Exchange adjustment	(1,853)	(121)	(1,712)	(20)
Charge for the year	2,123	26	2,048	49
Disposals in year	(17)	–	–	(17)
Accumulated depreciation at 31 December 2018	**19,514**	**1,213**	**17,777**	**524**
Net book value at 31 December 2018	**8,659**	**27**	**8,371**	**261**
Cost at 1 January 2017	25,817	1,344	23,724	749
Exchange adjustment	474	22	447	5
Additions	1,758	–	1,731	27
Disposals	(53)	–	–	(53)
Cost at 31 December 2017	27,996	1,366	25,902	728
Accumulated depreciation at 1 January 2017	17,164	1,287	15,370	507
Exchange adjustment	332	21	308	3
Charge for the year	1,804	1	1,763	40
Disposals	(39)	(1)	–	(38)
Accumulated depreciation at 31 December 2017	19,261	1,308	17,441	512
Net book value at 31 December 2017	8,735	58	8,461	216

10. ASSETS HELD FOR SALE

	2018 £'000	2017 £'000
At 1 January	**36,441**	–
Transfer from investment properties (note 8)	**2,285**	36,441
Disposal	**(36,441)**	–
At 31 December	**2,285**	36,441

In April 2018 the sale of both Brixton markets was completed for a combined price of £37.25 million. The properties were held at a valuation of £36.441 million. This value equated to the net sale proceeds and there was no profit on sale.

At December 2018 the Group's remaining property in Brixton is under offer and it is anticipated that the sale will complete in May 2019. The property is held at a valuation of £2.285 million, equating to the expected net sales proceeds. The revaluation gain of £1.035 million is recognised in these accounts. The property was held at a valuation of £1.25 million at 31 December 2017.

11. SUBSIDIARY COMPANIES

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, the principal activity, the country of incorporation and the percentage of equity owned, as at 31 December 2018 is disclosed below:

ENTITY	ACTIVITY	PERCENTAGE OF SHARE CAPITAL	REGISTERED ADDRESS	COUNTRY OF INCORPORATION
Analytical Investments Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Analytical Portfolios Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Analytical Properties Holdings Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Analytical Properties Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Analytical Ventures Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
24 Bruton Place Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
24 BPL (Harrogate) Limited	Investment	88%	24 Bruton Place, London, W1J 6NE	England and Wales
24 BPL (Harrogate) Two Limited	Investment	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Brixton Village Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Market Row Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Newincco 1243 Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Newincco 1244 Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Newincco 1245 Limited	Property Management Services	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Newincco 1299 Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Newincco 1300 Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
LAP Ocean Holdings Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
LAP Ocean Two Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
London & Associated Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
London & Associated (Rugeley) Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
London & Associated Securities Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
London & Associated Management Services Limited	Property Management Services	100%	24 Bruton Place, London, W1J 6NE	England and Wales
London & African Investments Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Orchard Chambers Residential Limited	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi Mining PLC (note D)	Coal mining	41.52%	24 Bruton Place, London, W1J 6NE	England and Wales
Mineral Products Limited (note A)(note D)	Share dealing	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi (Properties) Limited (note A)(note D)	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi Mining (Exploration) Limited (note A) (note D)	Holding company	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Sisonke Coal Processing (Pty) Limited	Coal processing	62.5%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Black Wattle Colliery (Pty) Limited (note A) (note D)	Coal mining	62.5%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Bisichi Coal Mining (Pty) Limited (note A)(note D)	Coal mining	100%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Urban First (Northampton) Limited (note A) (note D)	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi Trustee Limited (note A)(note D)	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi Mining Management Services Limited (note A) (note D)	Dormant	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Ninghi Marketing Limited (note A)(note D)	Dormant	90.1%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi Northampton Limited (note A)(note D)	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Amandla Ehtu Mineral Resource Development (Pty) Limited (note A)(note D)	Dormant	70%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Black Wattle Klipfontein (Pty) Limited (note A) (note D)	Coal mining	62.5%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Dragon Retail Properties Limited (note B)(note D)	Property	50%	24 Bruton Place, London, W1J 6NE	England and Wales
Newincco 1338 Limited (note C)	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
West Ealing Projects Limited (note B)(note D)	Property	50%	24 Bruton Place, London, W1J 6NE	England and Wales
Broadway Regen Limited (note E)	Property	90%	73 Cornhill, London, EC3V 3QQ	England and Wales

Details on the non–controlling interest in subsidiaries are shown under note 24.

Note A: these companies are owned by Bisichi and the equity shareholdings disclosed relate to that company.

Note B: this entity is a joint venture owned 50% by LAP and 50% by Bisichi.

Note C: this company is owned by Dragon and the equity shareholdings disclosed relate to that company.

Note D: Bisichi, Dragon and West Ealing Projects and their subsidiaries are included in the consolidated financial statements in accordance with IFRS 10.

Note E: This company is 90% owned by West Ealing Projects and the equity shareholdings disclosed relate to that company.

12. INVENTORIES–PROPERTY

Development land and buildings:

	2018 £'000	2017 £'000
At 1 January	–	–
Development expenditure	6,196	–
Interest on development expenditure	60	–
Transfer from investment property (note 8)	32,300	–
At 31 December	38,556	–

During the year the Group acquired a development property through West Ealing Projects Limited, a 50:50 joint venture with Bisichi. This property is held at cost of £6.256 million and is currently being developed for sale.

During the year the Group decided that Orchard Square, Sheffield no longer fitted our long-term criteria for investment property held to generate growth. It was therefore transferred at market value of £32.3 million into the property dealing division and is now held as inventory.

13. INVENTORIES–MINING

	2018 £'000	2017 £'000
Coal		
Washed	777	301
Mining production	316	286
Work in progress	378	227
Other	40	14
	1,511	828

14. NON-CURRENT ASSET INVESTMENTS

	2018 £'000	2017 £'000
Unlisted equity and debt investments	1,748	1,748
Overseas listed equity securities	35	51
	1,783	1,799

The Group owns a 3.17% (2017: 3.17%) interest in the equity and loans of HRGT Shopping Centres LP (HRGT), a limited partnership set up in England to acquire and own 3 shopping centres in Dunfermline, Kings Lynn and Loughborough. 96.40% (2017: 96.40%) of the equity and loans are owned by Oaktree Capital Management and 0.43% (2017: 0.43%) by Gooch Cunliffe Whale LLP. London & Associated Management Services Limited has a management contract to manage the properties on behalf of HRGT.

No fair value gain or loss was recognised in the year on the unlisted equity and debt investments.

A fair value loss of £15,000 was recognised on the overseas listed equity securities, and an exchange adjustment of £1,000 was also recognised.

The adoption of IFRS 9 has resulted in the reclassification of the Group's non-current investments. In the prior year the non-current investments were treated as held to maturity and movements were recognised as fair value gains or losses thorough other comprehensive income. In the current year these have been reclassified to investments held at fair value with gains or losses taken through profit and loss. No restatement of prior periods has been made, as permitted by IFRS 9.

15. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	6,055	4,920
Other receivables	949	736
Prepayments and accrued income	1,018	1,476
	8,022	7,132

Financial assets falling due within one year are held at amortised cost. The fair value of trade and other receivables approximates their carrying amounts. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The group applies a general approach on all other receivables classified as financial assets. At year end, the group allowance for doubtful debts provided against trade receivables was £277,000 (2017: £284,000). There was no additional loss allowance or impairment required during the year as a result of the implementation of IFRS 9.

16. CURRENT ASSET INVESTMENTS (PREVIOUSLY CLASSIFIED AS AVAILABLE FOR SALE INVESTMENTS)

LISTED EQUITY SECURITIES	2018 £'000	2017 £'000
At 1 January	**1,069**	800
Additions	**-**	186
Disposals	**(25)**	-
Fair value (loss)/gain	**(157)**	83
	887	1,069

Investments are listed on the London Stock Exchange with the exception of £40,000 (2017: £47,000) listed outside Great Britain.

The adoption of IFRS 9 has resulted in the reclassification of the groups Investments in listed securities. In the prior year the investments were classified as available for sale investments measured at fair value with movements taken through other comprehensive income and available for sale reserves. In the current year the investments were reclassified as Investments in Listed securities held at fair value with movements taken through profit and loss and retained earnings. The Group has not restated prior periods as allowed by the transition provisions of IFRS 9.

17. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	**4,637**	3,937
Other taxation and social security costs	**411**	629
Other payables	**3,372**	2,842
Accruals and deferred income	**4,921**	5,501
	13,341	12,909

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

18. BORROWINGS

OTHER LOANS (BISICHI)	2018 £'000	2018 £'000	2017 £'000	2017 £'000
	Current	**Non-current**	Current	Non-current
Other loans (Bisichi)	**205**	**547**	26	–
£1.25 million term bank loan (secured) repayable by 2020 (Dragon)*	**–**	**1,164**	–	1,218
£3.75 million first mortgage debenture stock 2018 at 11.6 per cent	**–**	**–**	3,000	–
Bank overdrafts (secured) (Bisichi)	**3,535**	**–**	1,262	–
£10 million first mortgage debenture stock 2022 at 8.109 per cent*	**–**	**9,939**	–	9,922
£5.876 million term bank loan (secured) repayable by 2019 (Bisichi)*	**5,840**	**–**	–	5,872
£3.584 million term loan (secured) - repayable by 2019 (Broadway Regen)	**3,461**	**–**	–	–
£34.897 million term bank loan (secured) repayable by 2019*	**21,403**	**–**	–	34,640
£10.105 million term bank loan (secured) repayable by 2019 at 9.5 per cent*	**6,808**	**–**	–	10,009
£3.932 million term loan (secured) repayable by 2028	**136**	**3,605**	–	–
	41,388	**15,255**	4,288	61,661

Borrowings analysis by origin:

	2018 £'000	2017 £'000
United Kingdom	**52,356**	64,621
South Africa	**4,287**	1,328
	56,643	65,949

* The £10 million debenture and bank loans are shown after deduction of un-amortised issue costs.

Interest payable on the term bank loans is variable being based upon the London inter–bank offered rate (LIBOR) plus margin.

In July 2018, the Group repaid the remaining £3.0 million of the £3.75 million first mortgage debenture stock 2018.

Following the sale of Brixton Markets in April 2018, £12.8 million of the £34.897 million Santander bank loan was repaid and £3.1 million of the £10.105 million Europa bank loan was repaid.

The First Mortgage Debenture Stock August 2022 and the Santander and Europa term bank loans repayable in July 2019 are secured by way of a charge on specific freehold and leasehold properties which are included in the financial statements at a value of £51.32 million. In addition, £0.34 million of cash deposits are charged as security to debenture stocks and £0.5 million to Santander and Europa bank loans. The Santander bank loan has an interest cost of 2 per cent above LIBOR. An interest rate swap and cap agreements are in place as detailed in note 20.

In September 2018 a new 10 year term, loan of £3.932 million was taken out with Metro Bank secured by way of a charge on freehold and leasehold properties which are included in the financial statements at a value of £7.15 million. The interest cost of the loan is 2.95 per cent above the bank's base rate and the loan is amortised over 20 years.

In South Africa, as part of a restructuring and sale of the washing plant facilities from Black Wattle Colliery (Pty) Limited ("Black Wattle") to its wholly owned subsidiary Sisonke Coal Processing (Pty) Limited ("Sisonke Coal Processing"), the R100million bank overdraft facility held by Black Wattle with Absa Bank Limited at the year end ("old trade facility") was replaced in January 2019 by a new structured trade finance facility for R100million held by Sisonke Coal Processing ("new trade facility"). The South African bank loans are secured by way of a first charge over specific pieces of mining equipment, inventory and the debtors of the relevant company which holds the loan which are included in the financial statements at a value of £8,640,000.

18. BORROWINGS CONTINUED

The Bisichi United Kingdom bank loans and overdraft are secured by way of a first charge over the investment properties in the UK which are included in the financial statements at a value of £13,045,000. During the year the group reduced its UK loan by £14,000 in order to rectify a breach of one of its UK loan banking covenants. No other banking covenants were breached by the group during the year.

The bank loan of £1.25 million (Dragon) which is repayable in November 2020 is secured by way of a first charge on specific freehold property which is included in the financial statements at a value of £2.45 million. The interest cost of the loan is 2 per cent above LIBOR.

The bank loan of £3.584 million (Broadway Regen) which is repayable in July 2019 is secured by way of a first charge on a specific freehold development property, which is included in the financial statements at £6.256 million. The interest cost of the loan is fixed at 7.0% per annum.

The Group's objectives when managing capital are:

– To safeguard the Group's ability to continue as a going concern, so that it may provide returns for shareholders and benefits for other stakeholders; and
– To provide adequate returns to shareholders by ensuring returns are commensurate with the risk.

Analysis of the changes in liabilities arising from financing activities:

	2018 £'000 BANK BORROWINGS	**2018 £'000 FINANCE LEASES**	2017 £'000 BANK BORROWINGS	2017 £'000 FINANCE LEASES
Balance at 1 January	**65,949**	**3,233**	68,509	4,767
Exchange adjustments	**(273)**	**–**	(4)	–
Cash movements excluding exchange adjustments	**(9,044)**	**–**	(2,820)	–
Valuation movements	**11**	**28**	264	(1,534)
Balance at 31 December	**56,643**	**3,261**	65,949	3,233

19. PROVISIONS

	2018 £'000	2017 £'000
At 1 January	**1,349**	1,236
Exchange adjustment	**(150)**	21
Increase in provision	**329**	–
Unwinding of discount	**43**	92
At 31 December	**1,571**	1,349

The above provision relates to mine rehabilitation costs in Bisichi.

20. FINANCIAL INSTRUMENTS

Total financial assets and liabilities

The Group's financial assets and liabilities and their fair values are as follows:

	2018		2017	
	FAIR VALUE £'000	**CARRYING VALUE £'000**	FAIR VALUE £'000	CARRYING VALUE £'000
Cash and cash equivalents	**20,655**	**20,655**	7,528	7,528
Investments–non-current assets	**1,783**	**1,783**	1,799	1,799
Investments–current assets	**887**	**887**	1,069	1,069
Derivative assets	**–**	**–**	1	1
Other assets	**7,004**	**7,004**	5,656	5,656
Derivative liabilities	**(169)**	**(169)**	(435)	(435)
Bank overdrafts	**(3,535)**	**(3,535)**	(1,262)	(1,262)
Bank loans	**(43,521)**	**(43,169)**	(52,218)	(51,765)
Present value of head leases on properties	**(3,261)**	**(3,261)**	(3,233)	(3,233)
Other liabilities	**(8,008)**	**(8,008)**	(6,779)	(6,779)
Total financial assets/(liabilities) before debentures	**(28,165)**	**(27,813)**	(47,874)	(47,421)

20. FINANCIAL INSTRUMENTS CONTINUED

Fair value of debenture stocks

Fair value of the Group's debenture liabilities:

	2018 BOOK VALUE £'000	2018 FAIR VALUE £'000	2018 FAIR VALUE ADJUSTMENT £'000	2017 FAIR VALUE ADJUSTMENT £'000
Debenture stocks	**(10,000)**	**(11,977)**	(1,977)	(2,686)
Tax at 19 per cent (2017: 19.25 per cent)	–	–	376	517
Post tax fair value adjustment	–	–	(1,601)	(2,169)
Post tax fair value adjustment – basic pence per share	–	–	(1.88)p	(2.54)p

There is no material difference in respect of other financial liabilities or any financial assets.

The fair values were calculated by the directors as at 31 December 2018 and reflect the replacement value of the financial instruments used to manage the Group's exposure to adverse interest rate movements.

The fair values of the debentures are based on the net present value at the relevant gilt interest rate of the future payments of interest on the debentures. The bank loans and overdrafts are at variable rates and there is no material difference between book values and fair values.

Investments in listed securities held at fair value through profit and loss (previously classified as Available for sale investments) fall under level 1 of the fair value hierarchy into which fair value measurements are recognised in accordance with the levels set out in IFRS 7. The comparative figures for 2017 fall under the same category of financial instrument as 2018.

The carrying amount of short term (less than 12 months) trade receivables and other liabilities approximates their fair values. The fair value of non-current borrowings in note 18 approximates to its carrying value and was determined under level 2 of the fair value hierarchy and is estimated by discounting the future contractual cash flows at the current market interest rates for UK borrowings and for the South African overdraft facility. The fair value of the finance lease liabilities in note 28 approximates its carrying value and was determined under level 2 of the fair value hierarchy and is estimated by discounting the future contractual cash flows at the current market interest rates.

TREASURY POLICY

The Group enters into derivative transactions such as interest rate swaps and forward exchange contracts in order to help manage the financial risks arising from the Group's activities. The main risks arising from the Group's financing structure are interest rate risk, liquidity risk and market price risk, credit risk, commodity price risk and foreign exchange risk. The policies for managing each of these risks and the principal effects of these policies on the results are summarised below.

SENSITIVITY ANALYSIS

LAP and Dragon have variable interest term debts which are covered by derivatives. Additionally, LAP has variable interest term debt covered by interest caps. At 31 December 2018, with other variables unchanged, a 1% increase in interest rates would change the profit/loss for the year by £91,000 (2017: £175,000). Bisichi has variable loans and a 1% increase in interest rates would change the profit/loss for the year by £101,000 (2017: £82,000).

INTEREST RATE RISK

Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group. The £34.897 million bank loan and Bisichi United Kingdom bank loans and overdrafts are secured by way of a first charge on certain fixed assets. The rates of interest vary based on LIBOR in the UK.

The £10.105 million term bank loan is secured by way of a second charge on certain fixed assets. This loan is based on a fixed interest rate.

The £3.932 million bank loan is secured by way of a first charge on specific freehold and leasehold property. The rate of interest varies based on the banks base rate.

The Bisichi South African bank loans are secured by way of a first charge over specific pieces of mining equipment, inventory and the debtors of the relevant company which holds the loan. The rates of interest vary based on PRIME in South Africa.

The £1.25 million bank loan (Dragon) is secured by way of a first charge on specific freehold property. The rate of interest varies based on LIBOR in the UK.

The £3.584 million bank loan (Broadway Regen) is secured by way of first charge on a specific freehold development property. This loan is based on a fixed interest rate.

LIQUIDITY RISK

The Group's policy is to minimise refinancing risk by balancing its exposure to interest risk and to refinancing risk. In effect the Group seeks to borrow for as long as possible at the lowest acceptable cost. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due. Cash and cash equivalents earn interest at rates based on LIBOR in the UK. These facilities are considered adequate to meet the Group's anticipated cash flow requirements for the foreseeable future.

In South Africa, as part of the restructuring and sale of the washing plant facilities from Black Wattle Colliery (Pty) Limited ("Black Wattle") to its wholly owned subsidiary Sisonke Coal Processing (Pty) Limited ("Sisonke Coal Processing"), the R100million facility held by Black Wattle with Absa Bank Limited at the year end ("old trade facility") was replaced in January 2019 by a new structured trade finance facility for R100million held by Sisonke Coal Processing ("new trade facility").

20. FINANCIAL INSTRUMENTS CONTINUED

The new trade facility comprises of a R100million revolving facility to cover the working capital requirements of the group's South African operations. The interest cost of the loan is at the South African prime lending rate. The new trade facility is renewable annually each January, is repayable on demand and is secured against inventory, debtors and cash that are held by Sisonke Coal Processing (Pty)

The old trade facility, which was also repayable on demand, is included in cash and cash equivalents within the cashflow statement.

In December 2014, Bisichi signed a £6 million term loan facility with Santander. The loan is secured against the group's UK retail property portfolio. The debt package has a five year term and is repayable at the end of the term in December 2019. The interest cost of the loan is 2.35% above LIBOR. Bisichi's intention is to enter into a new facility agreement prior to the termination of the existing facility agreement. Nonetheless there are adequate financial resources to repay the existing facility should a new facility not be finalised prior to December 2019.

The LAP Group's £34.897 million term bank loan and the £10.105 million bank loan are repayable in July 2019. In April 2018 £12.8 million and £3.1 million of these loans were repaid respectively. The loans are non-recourse and the remaining loans of £21.403 million and £6.808 million are secured by way of a first and second charge on freehold properties, which are included in the financial statements at £36.65 million. The Group's intention is to enter into a new facility agreement prior to the termination of the existing facility. The lenders have indicated that they will work with us, either to refinance the loans or to facilitate a handover to a new lender.

The table below analyses the Group's financial liabilities (excluding interest rate derivatives) into maturity groupings and also provides details of the liabilities that bear interest at fixed, floating and non–interest bearing rates.

	2018 TOTAL £'000	LESS THAN 1 YEAR £'000	2-5 YEARS £'000	OVER 5 YEARS £'000
Bank overdrafts (floating)	**3,535**	**3,535**	**–**	**–**
Debentures (fixed)	**9,939**	**–**	**9,939**	**–**
Bank loans (fixed)	**11,433**	**10,269**	**1,164**	**–**
Bank loans (floating)*	**31,736**	**27,584**	**1,156**	**2,996**
Trade and other payables (non–interest)	**12,930**	**12,930**	**–**	**–**
	69,573	**54,318**	**12,259**	**2,996**

	2017 TOTAL £'000	LESS THAN 1 YEAR £'000	2-5 YEARS £'000	OVER 5 YEARS £'000
Bank overdrafts (floating)	1,262	1,262	–	–
Debentures (fixed)	12,922	3,000	9,922	–
Bank loans (fixed)	10,009	–	10,009	–
Bank loans (floating)*	41,756	26	41,730	–
Trade and other payables (non–interest)	12,280	12,280	–	–
	78,229	16,568	61,661	–

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

*Certain bank loans are fully hedged with appropriate interest derivatives. Details of all hedges are shown below.

MARKET PRICE RISK

The Group is exposed to market price risk through interest rate and currency fluctuations.

CREDIT RISK

The group is mainly exposed to credit risk on its cash and cash equivalents, trade and other receivables and amounts owed by joint ventures as per the balance sheet. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at year end amounted to £30,329,000 (2017: £16,053,000).

To mitigate risk on its cash and cash equivalents, the group only deposits surplus cash with well-established financial institutions of high quality credit standing.

The group's credit risk is primarily attributable to its trade receivables. Trade debtor's credit ratings are reviewed regularly. The Group's review includes measures such as the use of external ratings and establishing purchase limits for each customer. The Group's approach to measure the credit loss allowance for trade receivables is outlined in note 15. At year end, the group allowance for doubtful debts provided against trade receivables was £277,000 (2017: £284,000).

The Group exposure to credit risk on its loans to joint ventures and other receivables is mitigated through ongoing review of the underlying performance and resources of the counterparty including evaluation of different scenarios of probability of default and expected loss applicable to each of the underlying balances

FOREIGN EXCHANGE RISK

Only Bisichi is subject to this risk. All trading is undertaken in the local currencies except for certain export sales which are invoiced in US Dollars. It is not the Bisichi Group's policy to obtain forward contracts to mitigate foreign exchange risk on these contracts as payment terms are within 15 days of invoice or earlier. Funding is also in local currencies other than inter-company investments and loans and it is also not the Bisichi Group's policy to obtain forward contracts to mitigate foreign exchange risk on these amounts. During 2018 and 2017 the Bisichi Group did not hedge its exposure of foreign investments held in foreign currencies.

20. FINANCIAL INSTRUMENTS CONTINUED

The Bisichi directors consider there to be no significant risk from exchange rate movements of foreign currencies against the functional currencies of the reporting companies within the Bisichi Group, excluding inter-company balances. The principal currency risk to which the Bisichi Group is exposed in regard to inter-company balances is the exchange rate between Pounds Sterling and South African Rand. It arises as a result of the retranslation of Rand denominated inter-company trade receivable balances held within the UK which are payable by South African Rand functional currency subsidiaries.

Based on the Bisichi Group's net financial assets and liabilities as at 31 December 2018, a 25% strengthening of Sterling against the South African Rand, with all other variables held constant, would decrease the Bisichi Group's profit after taxation by £130,000 (2017: £34,000). A 25% weakening of Sterling against the South African Rand, with all other variables held constant would increase the Bisichi Group's profit after taxation by £216,000 (2017: £56,000).

The 25% sensitivity has been determined based on the average historic volatility of the exchange rate for 2017 and 2018.

The table below shows the Bisichi currency profiles of cash and cash equivalents:

	2018 £'000	2017 £'000
Sterling	**6,897**	3,402
South African Rand	**2,322**	1,923
US Dollar	**2**	2
	9,221	5,327

Cash and cash equivalents earn interest at rates based on LIBOR in Sterling and Prime in Rand.

The tables below shows the Bisichi currency profiles of net monetary assets and liabilities by functional currency:

2018:	**UK £'000**	**SOUTH AFRICA £'000**
Sterling	**1,042**	**-**
South African Rand	**37**	**(1,974)**
US Dollar	**13**	**-**
	1,092	**(1,974)**

2017:	UK £'000	SOUTH AFRICA £'000
Sterling	(832)	–
South African Rand	54	(1,304)
US Dollar	13	–
	(765)	**(1,304)**

Borrowing facilities

At 31 December 2018 the Group was within its bank borrowing facilities and was not in breach of any of the covenants. Term loan repayments are as set out at the end of this note. Details of other financial liabilities are shown in Notes 17 and 18.

Interest rate and hedge profile

	2018 £'000	2017 £'000
Fixed rate borrowings	**20,224**	23,105
Floating rate borrowings		
– Subject to interest rate swap	**18,685**	36,147
– Other borrowings	**18,048**	7,160
	56,957	66,412
Average fixed interest rate	**8.39%**	9.17%
Weighted average swapped interest rate	**4.16%**	3.32%
Weighted average cost of debt on overdrafts, bank loans and debentures	**5.92%**	5.45%
Average period for which borrowing rate is fixed	**2.1 years**	2.9 years
Average period for which borrowing rate is swapped	**0.6 years**	1.5 years

The Group's floating rate debt bears interest based on LIBOR for the term bank loans and bank base rate for the overdraft.

At 31 December 2018 the Group had hedges totalling £21.489 million to cover the £21.5 million bank loan. These consisted of a 5 year swap for £17.5 million, at 2.25% and a £3.989 million cap agreement at 2.25% to July 2019.

At the year end the fair value liability in the accounts was £169,000 (2017: £435,000) as valued by the hedge provider.

At 31 December 2018, Dragon had hedges of £1.25 million to cover the £1.25 million bank loan. This consists of a 5 year £1.25 million cap agreement taken out in November 2016 at 2.5%. At the year end, the fair value asset in the accounts was nil (2017: £1,000), as valued by the hedge provider.

20. FINANCIAL INSTRUMENTS CONTINUED

Fair value of financial instruments

Fair value estimation

The Group has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires the methods of fair value measurement to be classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000	2018 GAIN/(LOSS) TO INCOME STATEMENT £'000
Financial assets					
Quoted equities	**887**	**–**	**–**	**887**	**-**
Interest rate swaps	**–**	**-**	**–**	**-**	**(1)**
Financial liabilities					
Interest rate swaps	**–**	**169**	**–**	**169**	**266**

	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000	2017 GAIN/(LOSS) TO INCOME STATEMENT £'000
Financial assets					
Quoted equities	1,069	–	–	1,069	-
Interest rate swaps	–	1	–	1	(3)
Financial liabilities					
Interest rate swaps	–	435	–	435	358

Capital structure

The Group sets the amount of capital in proportion to risk. It ensures that the capital structure is commensurate to the economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group considers its capital to include share capital, share premium, capital redemption reserve, translation reserve and retained earnings, but excluding the interest rate derivatives.

Consistent with others in the industry, the Group monitors its capital by its debt to equity ratio (gearing levels). This is calculated as the net debt (loans less cash and cash equivalents) as a percentage of the equity calculated as follows:

	2018 £'000	2017 £'000
Total debt	**56,643**	65,949
Less cash and cash equivalents	**(20,655)**	(7,528)
Net debt	**35,988**	58,421
Total equity	**55,487**	56,710
	64.9%	103.0%

The Group does not have any externally imposed capital requirements.

Financial assets

The Group's principal financial assets are bank balances and cash, trade and other receivables, investments and assets held for sale. The Group has no significant concentration of credit risk as exposure is spread over a large number of counterparties and customers. The credit risk in liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit–rating agencies. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

Financial assets maturity

Cash and cash equivalents all have a maturity of less than three months.

	2018 £'000	2017 £'000
Cash at bank and in hand	**20,655**	7,528

These funds are primarily invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates.

20. FINANCIAL INSTRUMENTS CONTINUED

Financial liabilities maturity

The following table sets out the maturity profile of contractual undiscounted cashflows of financial liabilities as at 31 December:

Repayment of borrowings

	2018 £'000	2017 £'000
Bank loans and overdrafts:		
Repayable on demand or within one year	**41,388**	1,288
Repayable between two and five years	**2,320**	51,739
Repayable after five years	**2,996**	-
	46,704	53,027
Debentures:		
Repayable within one year	**-**	3,000
Repayable between two and five years	**9,939**	9,922
	56,643	65,949

Certain borrowing agreements contain financial and other conditions that if contravened by the Group, could alter the repayment profile.

21. DEFERRED TAX ASSET

	2018 £'000	2017 £'000
Balance at 1 January	**–**	1,134
Transferred to consolidated income statement	**–**	(1,134)
Balance at 31 December	**–**	–

22. DEFERRED TAX LIABILITIES

	2018 £'000	2017 £'000
Balance at 1 January	**3,848**	2,329
Transferred (to)/from consolidated income statement	**(1,375)**	1,484
Exchange adjustment	**(168)**	35
Balance at 31 December	**2,305**	3,848
The deferred tax balance comprises the following:		
Revaluation of properties	**726**	5,836
Accelerated capital allowances	**2,166**	2,522
Short-term timing differences	**139**	144
Unredeemed capital deductions	**(32)**	(83)
Losses and other deductions	**(694)**	(4,571)
Deferred tax liability provision at end of year:	**2,305**	3,848

The directors consider the temporary differences arising in connection with the interests in joint ventures are insignificant. There is no time limit in respect of the Group tax loss relief.

In addition, the Group has unused losses and reliefs with a potential value of £6,310,000 (2017: £5,427,000), which have not been recognised as a deferred tax asset. As the Group returns to profit, these losses and reliefs can be utilised.

23. SHARE CAPITAL

The Company has one class of ordinary shares which carry no right to fixed income.

	NUMBER OF ORDINARY 10P SHARES 2018	NUMBER OF ORDINARY 10P SHARES 2017	2018 £'000	2017 £'000
Authorised: ordinary shares of 10p each	**110,000,000**	110,000,000	**11,000**	11,000
Allotted, issued and fully paid share capital	**85,542,711**	85,542,711	**8,554**	8,554
Less: held in Treasury (see below)	**(218,197)**	(221,061)	**(22)**	(22)
"Issued share capital" for reporting purposes	**85,324,514**	85,321,650	**8,532**	8,532

23. SHARE CAPITAL CONTINUED

Treasury shares

	NUMBER OF ORDINARY 10P SHARES		COST /ISSUE VALUE	
	2018	2017	**2018 £'000**	2017 £'000
Shares held in Treasury at 1 January	**221,061**	221,061	**145**	145
Issued for share incentive plan -dividends investment (Jan 2016 - 25p)	**(2,864)**	–	**(1)**	–
Shares held in Treasury at 31 December	**218,197**	221,061	**144**	145

Share Option Schemes

Employees' share option scheme (Approved scheme)

At 31 December 2018 there were no options to subscribe for ordinary shares outstanding, issued under the terms of the Employees' Share Option Scheme.

This share option scheme was approved by members in 1986, and has been approved by Her Majesty's Revenue and Customs (HMRC).

There are no performance criteria for the exercise of options under the Approved scheme, as this was set up before such requirements were considered to be necessary.

A summary of the shares allocated and options issued under the scheme up to 31 December 2018 is as follows:

		CHANGES DURING THE YEAR			
	AT 1 JANUARY 2018	OPTIONS EXERCISED	OPTIONS GRANTED	OPTIONS LAPSED	**AT 31 DECEMBER 2018**
Shares issued to date	2,367,604	–	–	–	**2,367,604**
Shares allocated over which options have not been granted	1,549,955	–	–	–	**1,549,955**
Total shares allocated for issue to employees under the scheme	3,917,559	–	–	–	**3,917,559**

Non–approved Executive Share Option Scheme (Unapproved scheme)

A share option scheme known as the "Non–approved Executive Share Option Scheme" which does not have HMRC approval was set up during 2000. At 31 December 2018 there were no options to subscribe for ordinary shares outstanding.

The exercise of options under the Unapproved scheme is subject to the satisfaction of objective performance conditions specified by the remuneration committee which confirms to institutional shareholder guidelines and best practice provisions.

A summary of the shares allocated and options issued under the scheme up to 31 December 2018 is as follows:

		CHANGES DURING THE YEAR			
	AT 1 JANUARY 2018	OPTIONS EXERCISED	OPTIONS GRANTED	OPTIONS LAPSED	**AT 31 DECEMBER 2018**
Shares issued to date	450,000	–	–	–	**450,000**
Shares allocated over which options have not yet been granted	550,000	–	–	–	**550,000**
Total shares allocated for issue to employees under the scheme	1,000,000	–	–	–	**1,000,000**

The Bisichi Mining PLC Unapproved Option Schemes

Details of the share option schemes in Bisichi are as follows:

YEAR OF GRANT	SUBSCRIPTION PRICE PER SHARE	PERIOD WITHIN WHICH OPTIONS EXERCISABLE	NUMBER OF SHARES FOR WHICH OPTIONS OUTSTANDING AT 31 DECEMBER 2017	NUMBER OF SHARE OPTIONS ISSUED/EXERCISED/ (CANCELLED) DURING YEAR	**NUMBER OF SHARES FOR WHICH OPTIONS OUTSTANDING AT 31 DECEMBER 2018**
2010	202.5p	Aug 2013 – Aug 2020	80,000	(80,000)	**–**
2015	87.0p	Sep 2015 – Sep 2025	300,000	–	**300,000**
2018	73.5p	Feb 2018 - Feb 2028	–	380,000	**380,000**

The exercise of options under the Unapproved Share Option Schemes, for certain option issues, is subject to the satisfaction of the objective performance conditions specified by the remuneration committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time.

On the 5 February 2018 Bisichi entered into an agreement with G.Casey to surrender the 80,000 options which were granted in 2010. The aggregate consideration paid by the Group to effect the cancellation was £1. There are no performance or service conditions attached to 2015 options which are outstanding at 31 December 2018 which vested in 2015.

On 6 February 2018 Bisichi granted additional options to the following directors:

- A.Heller 150,000 options at an exercise price of 73.50p per share.
- G.Casey 230,000 options at an exercise price of 73.50p per share.

23. SHARE CAPITAL CONTINUED

The above options vest on date of grant and are exercisable within a period of 10 years from date of grant. There are no performance or service conditions attached to the options. The options were valued at £24,000 at date of grant using the Black-Scholes-Merton model with the following assumptions:

Expected volatility	23.90%
Expected life	4 years
Risk free rate	0.785%
Expected dividends	6.71%

Expected volatility was determined by reference to the historical volatility of the share price over a period commensurate with the option's expected life. The expected life used in the model is used on the risk-averse balance likely to be required by the option holders.

	2018 NUMBER	**2018 WEIGHTED AVERAGE EXERCISE PRICE**	2017 NUMBER	2017 WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at 1 January	**380,000**	**111.3p**	380,000	111.3p
Issued during year	**380,000**	**73.5p**	–	–
Lapsed/surrended during year	**(80,000)**	**202.5p**	–	–
Outstanding at 31 December	**680,000**	**79.5p**	380,000	111.3p
Exercisable at 31 December	**680,000**	**79.5p**	380,000	111.3p

24. NON–CONTROLLING INTEREST ("NCI")

	2018 £'000	2017 £'000
As at 1 January	**10,856**	10,389
Share of profit for the year	**2,675**	610
Share of gain on available for sale investments	**–**	49
Dividends received	**(957)**	(250)
Shares issued	**8**	–
Exchange movement	**(273)**	58
As at 31 December	**12,309**	10,856

The following subsidiaries had material NCI:

Bisichi Mining PLC
Black Wattle Colliery (Pty) Ltd

Summarised financial information for these subsidiaries is set out below. The information is before inter–company eliminations with other companies in the Group.

BISICHI MINING PLC	**2018 £'000**	2017 £'000
Revenue	**49,945**	40,350
Profit for the year attributable to owners of the parent	**3,314**	749
Profit/(loss) for the year attributable to NCI	**729**	172
Profit for the year	**4,043**	921
Other comprehensive income attributable to owners of the parent	**(377)**	163
Other comprehensive income attributable to NCI	**(53)**	11
Other comprehensive income for the year	**(430)**	174
Balance sheet		
Non–current assets	**23,118**	22,935
Current assets	**18,475**	13,622
Total assets	**41,593**	36,557
Current liabilities	**(16,929)**	(9,025)
Non–current liabilities	**(4,529)**	(9,858)
Total liabilities	**(21,458)**	(18,883)
Net current assets at 31 December	**20,135**	17,674
Cash flows		
From operating activities	**4,767**	7,270
From investing activities	**(3,373)**	(1,936)
From financing activities	**200**	(429)
Net cash flows	**1,594**	4,905

The non–controlling interest comprises a 37.5% shareholding in Black Wattle Colliery (Pty) Ltd, a coal mining company incorporated in South Africa.

24. NON–CONTROLLING INTEREST ("NCI") CONTINUED

Summarised financial information reflecting 100% of the underlying subsidiary's relevant figures, is set out below.

BLACK WATTLE COLLIERY (PTY) LIMITED ("BLACK WATTLE")	2018 £'000	2017 £'000 RESTATED
Revenue	**48,666**	39,191
Expenses	**(43,801)**	(38,041)
Profit for the year	**4,865**	1,150
Total comprehensive income for the year	**4,865**	1,150
Balance sheet		
Non–current assets	**8,532**	8,613
Current assets	**9,587**	6,747
Current liabilities	**(10,540)**	(8,652)
Non–current liabilities	**(3,800)**	(3,155)
Net assets at 31 December	**3,779**	3,553

The non–controlling interest relates to the disposal of a 37.5% shareholding in Black Wattle in 2010. The total issued share capital in Black Wattle Colliery (Pty) Ltd was increased from 136 shares to 1,000 shares at par of ZAR1 (South African Rand) through the following shares issue:

- a subscription for 489 ordinary shares at par by Bisichi Mining (Exploration) Limited increasing the number of shares held from 136 ordinary shares to a total of 625 ordinary shares;
- a subscription for 110 ordinary shares at par by Vunani Mining (Pty) Ltd;
- a subscription for 265 "A" shares at par by Vunani Mining (Pty) Ltd

Bisichi Mining (Exploration) Limited is a wholly owned subsidiary of Bisichi Mining PLC incorporated in England and Wales.

Vunani Mining (Pty) Ltd is a South African Black Economic Empowerment company and minority shareholder in Black Wattle.

The "A" shares rank pari passu with the ordinary shares save that they will have no dividend rights until such time as the dividends paid by Black Wattle Colliery (Pty) Ltd on the ordinary shares subsequent to 30 October 2008 will equate to ZAR832,075,000.

A non–controlling interest of 15% in Black Wattle is recognised for all profits distributable to the 110 ordinary shares held by Vunani Mining (Pty) Ltd from the date of issue of the shares (18 October 2010). An additional non–controlling interest will be recognised for all profits distributable to the 265 "A" shares held by Vunani Mining (Pty) Ltd after such time as the profits available for distribution, in Black Wattle Colliery (Pty) Ltd, before any payment of dividends after 30 October 2008, exceeds ZAR832,075,000.

25. RELATED PARTY TRANSACTIONS

	COST RE-CHARGED TO (BY) RELATED PARTY £'000		AMOUNTS OWED BY (TO) RELATED PARTY £'000	ADVANCED TO (BY) RELATED PARTY £'000
Related party:				
Simon Heller Charitable Trust				
Current account	(63)		–	–
Loan account	–		(700)	–
Directors and key management				
M A Heller and J A Heller	18	(i)	1	–
H D Goldring (Delmore Holdings Limited)	(15)	(ii)	–	–
C A Parritt	(20)	(ii)	–	–
R Priest	(35)	(ii)	(8)	–
Totals at 31 December 2018	**(115)**		**(707)**	**–**
Totals at 31 December 2017	(71)		(679)	(84)

Nature of costs recharged – (i) Property management fees (ii) Consultancy fees.

Directors

London & Associated Properties PLC provides office premises, property management, general management, accounting and administration services for a number of private property companies in which Sir Michael Heller and J A Heller have an interest. Under an agreement with Sir Michael Heller no charge is made for these services on the basis that he reduces by an equivalent amount the charge for his services to London & Associated Properties PLC. The board estimates that the value of these services, if supplied to a third party, would have been £300,000 for the year (2017: £300,000).

25. RELATED PARTY TRANSACTIONS CONTINUED

The companies for which services are provided are: Barmik Properties Limited, Cawgate Limited, Clerewell Limited, Cloathgate Limited, Ken–Crav Investments Limited, London & South Yorkshire Securities Limited, Metroc Limited, Penrith Retail Limited, Shop.com Limited, South Yorkshire Property Trust Limited, Wasdon Investments Limited, Wasdon (Dover) Limited, and Wasdon (Leeds) Limited.

In addition the Company received management fees of £10,000 (2017: £10,000) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust.

The Simon Heller Trust has placed on deposit with LAP £700,000 at an interest rate of 9% which is refundable on demand.

Delmore Holdings Limited (Delmore) is a Company in which H D Goldring is a majority shareholder and director. Delmore provides consultancy services to the Company on an invoiced fee basis.

R Priest provided consultancy services to the Company on an invoiced fee basis.

In 2012 a loan of £116,000 was made by Bisichi to one of the Bisichi directors - A R Heller. The loan amount outstanding at the year end was £41,000 (2017: £56,000) and a repayment of £15,000 (2017: £15,000) was made during the year. Interest is payable on the loan at a rate of 6.14 percent. There is no fixed repayment date for the loan.

The directors are considered to be the only key management personnel and their remuneration including employer's national insurance for the year was £1,838,000 (2017: £949,000). All other disclosures required, including interest in share options in respect of those directors, are included within the remuneration report.

26. EMPLOYEES

The average number of employees, including directors, of the Group during the year was as follows:

	2018	2017
Production	**231**	192
Administration	**46**	45
	277	237

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Salaries and other costs	**8,994**	7,426
Social security costs	**494**	327
Pension costs	**377**	360
Share based payments	**24**	0
	9,889	8,113

27. CAPITAL COMMITMENTS

	2018 £'000	2017 £'000
Commitments for capital expenditure approved and contracted for at the year end	**751**	–
Share of commitment of capital expenditure in joint venture	**–**	–

All the above relates to Bisichi Mining PLC.

28. OPERATING AND FINANCE LEASES

Operating leases on land and buildings

At 31 December 2018 the Group had commitments under non–cancellable operating leases on land and buildings expiring as follows:

	2018 £'000	2017 £'000
Within one year	**240**	240
Second to fifth year	**960**	960
After five years	**–**	240

Operating lease payments represent rentals payable by the Group for its office premises.

The leases are for an average term of ten years at inception and rentals are fixed for an average of five years.

Present value of head leases on properties

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	**213**	211	**213**	211
Second to fifth year	**849**	841	**783**	776
After five years	**16,725**	16,682	**2,265**	2,246
	17,787	17,734	**3,261**	3,233
Future finance charges on finance leases	**(14,526)**	(14,501)	**–**	–
Present value of finance lease liabilities	**3,261**	3,233	**3,261**	3,233

Finance lease liabilities are in respect of leased investment property. Many leases provide for contingent rent in addition to the rents above, usually a proportion of rental income.

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Future aggregate minimum rentals receivable

The Group leases out its investment properties to tenants under operating leases. The future aggregate minimum rentals receivable under non–cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Within one year	**5,379**	5,088
Second to fifth year	**16,002**	14,597
After five years	**19,531**	18,519
	40,912	38,204

29. CONTINGENT LIABILITIES AND EVENTS AFTER THE REPORTING PERIOD

There were no contingent liabilities at 31 December 2018 (2017: £Nil), except as disclosed in Note 20.

Bank guarantees have been issued by the bankers of Black Wattle Colliery (Pty) Limited on behalf of the company to third parties. The guarantees are secured against the assets of the company and have been issued in respect of the following:

	2018 £'000	2017 £'000
Rail siding & transportation	**54**	64
Rehabilitation of mining land	**1,259**	1,387
Water & electricity	**52**	58
	1,365	1,509

30. COMPANY FINANCIAL STATEMENTS

Company balance sheet at 31 December 2018

	NOTES	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	30.3	**23,872**	25,397
Other investments:			
Associated company – Bisichi Mining PLC	30.4	**489**	489
Subsidiaries and others including Dragon Retail Properties Limited	30.4	**42,598**	42,598
		43,087	43,087
		66,959	68,484
Current assets			
Debtors	30.5	**3,764**	1,025
Deferred tax due after more than one year	30.9	**–**	2,059
Investments	30.6	**–**	19
Bank balances		**9,887**	1,233
		13,651	4,336
Creditors			
Amounts falling due within one year	30.7	**(54,664)**	(35,540)
Deferred tax falling due after more than one year	30.9	**(744)**	–
Borrowings	30.8	**–**	(3,000)
Net current liabilities		**(41,757)**	(34,204)
Total assets less current liabilities		**25,202**	34,280
Creditors			
Amounts falling due after more than one year	30.8	**(10,985)**	(13,003)
Net assets		**14,217**	21,277
Capital and reserves			
Share capital	30.10	**8,554**	8,554
Share premium account		**4,866**	4,866
Capital redemption reserve		**47**	47
Treasury shares	30.10	**(144)**	(145)
Retained earnings		**894**	7,955
Shareholders' funds		**14,217**	21,277

The loss for the financial year, before dividends was £6,805,000 (2017: profit of £1,771,000).

These financial statements were approved by the board of directors and authorised for issue on 30 April 2019 and signed on its behalf by:

Sir Michael Heller
Director

Jonathan Mintz
Director

Company Registration No. 341829

30. COMPANY FINANCIAL STATEMENTS CONTINUED

Company statement of changes in equity for the year ended 31 December 2018

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	TREASURY SHARES £'000	RETAINED EARNINGS EXCLUDING TREASURY SHARES £'000	TOTAL EQUITY £'000
Balance at 1 January 2017	8,554	4,866	47	(145)	9,867	23,189
Profit for the year	–	–	–	–	(1,771)	(1,771)
Total comprehensive income	–	–	–	–	(1,771)	(1,771)
Transactions with owners:						
Dividends – equity holders	–	–	–	–	(141)	(141)
Transactions with owners	–	–	–	–	(141)	(141)
Balance at 31 December 2017	8,554	4,866	47	(145)	7,955	21,277
Loss for the year	–	–	–	–	(6,805)	(6,805)
Total comprehensive expense	–	–	–	–	(6,805)	(6,805)
Transaction with owners:						
Dividends – equity holders	–	–	–	–	(256)	(256)
Disposal of own shares	–	–	–	1	–	1
Transactions with owners	–	–	–	1	(256)	(255)
Balance at 31 December 2018	**8,554**	**4,866**	**47**	**(144)**	**894**	**14,217**

£0.2 million (2017: £6.5 million) of retained earnings (excluding treasury shares) is distributable.

30.1. COMPANY

Accounting policies

The following are the main accounting policies of the Company:

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and Companies Act 2006. The financial statements are prepared under the historical cost convention as modified to include the revaluation of freehold and leasehold properties and fair value adjustments in respect of current asset investments and interest rate hedges.

The results of the Company are included in the consolidated financial statements. No profit or loss is presented by the Company as permitted by Section 408 of the Companies Act 2006.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

Key judgements and estimates

The preparation of the financial statements requires management to make assumptions and estimates that may affect the reported amounts of assets and liabilities and the reported income and expenses, further details of which are set out below. Although management believes that the assumptions and estimates used are reasonable, the actual results may differ from those estimates. Further details of the estimates are contained in the Directors' Report and in the Group accounting policies.

Investments in subsidiaries, associated undertakings and joint ventures

Investments in subsidiaries, associated undertakings and joint ventures are held at cost less accumulated impairment losses.

30.1. COMPANY CONTINUED

Fair value measurements of investment properties and investments

An assessment of the fair value of certain assets and liabilities, in particular investment properties, is required. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged between market participants. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty. The fair value measurement of the investment properties may be considered to be less judgemental where external valuers have been used as is the case with the Company.

The following accounting policies are consistent with those of the Group and are disclosed on page 36 to 41 of the Group financial statements.

- Revenue
- Property operating expenses
- Employee benefits
- Financial instruments
- Investment properties
- Other assets and depreciation
- Assets held for sale
- Income taxes
- Leases

30.2. RESULT FOR THE FINANCIAL YEAR

The Company's result for the year was a loss of £6,805,000 (2017: loss of £1,771,000). In accordance with the exemption conferred by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

30.3. TANGIBLE ASSETS

		INVESTMENT PROPERTIES			
	TOTAL £'000	**FREEHOLD £'000**	**LEASEHOLD OVER 50 YEARS £'000**	**LEASEHOLD UNDER 50 YEARS £'000**	**OFFICE EQUIPMENT AND MOTOR VEHICLES £'000**
Cost or valuation at 1 January 2018	25,645	9,295	14,039	1,947	364
Reclassification	–	–	(30)	30	–
Additions	6,540	6,540	–	–	–
Disposals to group companies	(7,258)	(1,050)	(4,469)	(1,721)	(18)
(Decrease)/increase on revaluation	(815)	(815)	–	–	–
Cost or valuation at 31 December 2018	**24,112**	**13,970**	**9,540**	**256**	**346**
Representing assets stated at:					
Valuation	23,766	13,970	9,540	256	–
Cost	346	–	–	–	346
	24,112	**13,970**	**9,540**	**256**	**346**
Depreciation at 1 January 2018	248	–	–	–	248
Charge for the year	9	–	–	–	9
Disposals	(17)	–	–	–	(17)
Depreciation at 31 December 2018	**240**	**–**	**–**	**–**	**240**
Net book value at 1 January 2018	25,397	9,295	14,039	1,947	116
Net book value at 31 December 2018	**23,872**	**13,970**	**9,540**	**256**	**106**

The freehold and leasehold properties, excluding the present value of head leases and directors' valuations, were valued as at 31 December 2018 by professional firms of chartered surveyors. The valuations were made at fair value. The directors' property valuations were made at fair value.

	2018 £'000	2017 £'000
Allsop LLP	**21,120**	20,375
Directors' valuation	**1,600**	1,825
	22,720	22,200
Add: Present value of headleases	**1,046**	3,081
	23,766	25,281

30.3. TANGIBLE ASSETS CONTINUED

The historical cost of investment properties was as follows:

	FREEHOLD £'000	LEASEHOLD OVER 50 YEARS £'000	LEASEHOLD UNDER 50 YEARS £'000
Cost at 1 January 2018	4,889	13,966	1,939
Additions	6,540	–	–
Disposals to group companies	(1,201)	(4,633)	(1,154)
Cost at 31 December 2018	**10,228**	**9,333**	**785**

Long leasehold properties are held on leases with an unexpired term of more than fifty years at the balance sheet date.

30.4. OTHER INVESTMENTS

COST OR VALUATION	TOTAL £'000	SHARES IN SUBSIDIARY COMPANIES £'000	SHARES IN JOINT VENTURES £'000	SHARES IN ASSOCIATE £'000
At 1 January 2018	43,087	42,434	164	489
Impairment provision	–	–	–	–
At 31 December 2018	**43,087**	**42,434**	**164**	**489**

Subsidiary companies

Details of the Company's subsidiaries are set out in Note 11. Under IFRS 10 Bisichi Mining Plc and its subsidiaries, West Ealing Projects Limited and its subsidiary and Dragon Retail Properties Limited are treated in the financial statements as subsidiaries of the Company.

In the opinion of the directors the value of the investment in subsidiaries is not less than the amount shown in these financial statements.

30.5. DEBTORS

	2018 £'000	2017 £'000
Trade debtors	**351**	366
Amounts due from associate and joint ventures	**755**	33
Amounts due from subsidiary companies	**2,127**	100
Other debtors	**82**	118
Prepayments and accrued income	**449**	408
	3,764	1,025

30.6. INVESTMENTS

	2018 £'000	2017 £'000
Market value of the listed investment portfolio	**–**	19
Unrealised gain of market value over cost	**–**	1
Listed investment portfolio at cost	**–**	18

The remaining investment portfolio was sold in the year.

30.7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Amounts owed to subsidiary companies	**50,874**	29,775
Amounts owed to joint ventures	**156**	2,214
Other taxation and social security costs	**200**	278
Other creditors	**1,442**	1,400
Accruals and deferred income	**1,992**	1,873
	54,664	35,540

30.8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £'000	2017 £'000
Present value of head leases on properties	**1,046**	3,081
Term Debenture stocks:		
£10 million First Mortgage Debenture Stock 2022 at 8.109 per cent*	**9,939**	9,922
	9,939	9,922
	10,985	13,003

*The £10 million debenture is shown after deduction of un–amortised issue costs.

30.8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR CONTINUED

Details of terms and security of overdrafts, loans and loan renewal and debentures are set out in note 18.

REPAYMENT OF BORROWINGS:	2018 £'000	2017 £'000
Debentures:		
Repayable within one year	-	3,000
Repayable between two and five years	**9,939**	9,922
Repayable in more than five years	**–**	-
	9,939	12,922

30.9. DEFERRED TAX

	2018 £'000	2017 £'000
Deferred Taxation		
Balance at 1 January	**2,059**	2,082
Transfer to profit and loss account	**(2,803)**	(23)
Balance at 31 December	**(744)**	2,059
The deferred tax balance comprises the following:		
Accelerated capital allowances	**(795)**	(833)
Short–term timing differences	**(124)**	(124)
Revaluation of investment properties	**175**	66
Loss relief	**–**	2,950
Deferred tax (liability)/asset at year end	**(744)**	2,059

30.10. SHARE CAPITAL

Details of share capital, treasury shares and share options are set out in Note 23.

30.11. RELATED PARTY TRANSACTIONS

	COST RE-CHARGED TO (BY) RELATED PARTY £'000		AMOUNTS OWED BY (TO) RELATED PARTY £'000	ADVANCED TO (BY) RELATED PARTY £'000
Related party:				
Dragon Retail Properties Limited				
Current account	36	(i)	(156)	–
Loan account	(103)		–	2,000
Bisichi Mining PLC				
Current account	153	(ii)	3	–
Simon Heller Charitable Trust				
Current account	(63)		–	–
Loan account	–		(700)	–
Directors and key management				
M A Heller and J A Heller	18	(i)	1	–
H D Goldring (Delmore Holdings Limited)	(15)	(iii)	–	–
C A Parritt	(20)	(iii)	–	–
R Priest	(35)	(iii)	(8)	–
Totals at 31 December 2018	**(29)**		**(860)**	**2,000**
Totals at 31 December 2017	(73)		(2,884)	–

Nature of costs recharged – (i) Management fees (ii) Property management fees (iii) Consultancy fees

During the period, the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with wholly owned subsidiaries.

Dragon Retail Properties Limited – 'Dragon' is owned equally by the Company and Bisichi Mining PLC. During 2013 Dragon lent the company £2 million at 6.875 per cent annual interest. This loan was repaid in full during the year.

Bisichi Mining PLC – The company has 41.52 per cent ownership of 'Bisichi'.

Other details of related party transactions are given in note 25.

30.12. EMPLOYEES

THE AVERAGE WEEKLY NUMBER OF EMPLOYEES OF THE COMPANY DURING THE YEAR WERE AS FOLLOWS:	2018 £'000	2017 £'000
Directors & Administration	**24**	24

STAFF COSTS DURING THE YEAR WERE AS FOLLOWS:	2018 £'000	2017 £'000
Salaries	**2,184**	1,375
Social Security costs	**263**	163
Pension costs	**107**	119
	2,554	1,657

30.13. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2018 (2017: £Nil).

30.14. OPERATING AND FINANCE LEASES

At 31 December 2018 the Company had commitments under non–cancellable operating leases on land and buildings as follows:

	2018 £'000	2017 £'000
Expiring in two to five years	**1,200**	-
Expiring in more than five years	**-**	1,440

In addition, the Company has an annual commitment to pay ground rents on its leasehold investment properties which amount to £201,000 (2017: £201,000).

Present value of head leases on properties

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	**66**	201	**66**	201
Second to fifth year	**266**	803	**247**	746
After five years	**8,066**	15,483	**733**	2,134
	8,398	16,487	**1,046**	3,081
Future finance charges on finance leases	**(7,352)**	(13,406)	**–**	–
Present value of finance lease liabilities	**1,046**	3,081	**1,046**	3,081

Finance lease liabilities are in respect of leased investment property. A few leases provide for contingent rent in addition to the rents above, usually a proportion of rental income.

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Future aggregate minimum rentals receivable

The Company leases out its investment properties to tenants under operating leases. The future aggregate minimum rentals receivable under non–cancellable operating leases are as follows:

30.15. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

There were no contingent liabilities at 31 December 2018 (2017: £Nil).

Five year financial summary

	2018 £M	2017 £M	2016 £M	2015 £M	2014 £M
Portfolio size					
Investment properties–LAP^	**32**	62	89	89	89
Investment properties–joint ventures	**–**	–	–	19	20
Investment properties–Dragon Retail Properties	**2**	3	3	3	3
Investment properties–Bisichi Mining^	**13**	13	13	13	12
Assets held for sale–LAP	**2**	36	–	2	–
Inventories–LAP	**39**	–	–	–	–
	88	114	105	126	124
Portfolio activity	**£M**	£M	£M	£M	£M
Acquisitions	**6.55**	–	–	1.00	0.68
Disposals	**(36.44)**	–	–	(0.40)	–
Capital Expenditure	**6.26**	–	0.16	0.36	–
	(23.63)	–	0.16	0.96	0.68
Consolidated income statement	**£M**	£M RESTATED	£M RESTATED	£M RESTATED	£M RESTATED
Group income	**56.65**	47.87	31.81	34.61	35.74
Profit/(loss) before tax	**1.27**	11.28	(0.97)	(2.09)	(2.69)
Taxation	**(0.68)**	(2.98)	(1.18)	0.04	(3.70)
Profit/(loss) attributable to shareholders	**(2.08)**	7.69	(2.36)	(1.90)	(7.14)
Earnings/(loss) per share – basic and diluted	**(2.44)p**	9.01p	(2.77)p	(2.24)p	(8.45)p
Dividend per share	**0.180p**	0.300p	0.165p	0.160p	0.156p
Consolidated balance sheet	**£M**	£M	£M	£M	£M
Shareholders' funds attributable to equity shareholders	**43.38**	45.86	38.24	40.08	42.55
Net borrowings	**35.99**	58.42	62.22	62.39	59.71
Net assets per share – basic	**50.83**	53.74p	44.83p	47.26p	50.35p
– fully diluted	**50.83**	53.74p	44.83p	47.26p	50.35p
Consolidated cash flow statement		£M	£M	£M	£M
Cash generated from operations	**1.92**	10.29	5.59	4.37	2.96
Capital investment and financial investment	**20.78**	(1.80)	(0.18)	(2.77)	100.42

Notes:

^ Excluding the present value of head leases

www.lap.co.uk

LONDON & ASSOCIATED PROPERTIES PLC
24 BRUTON PLACE
LONDON W1J 6NE
EMAIL: ADMIN@LAP.CO.UK