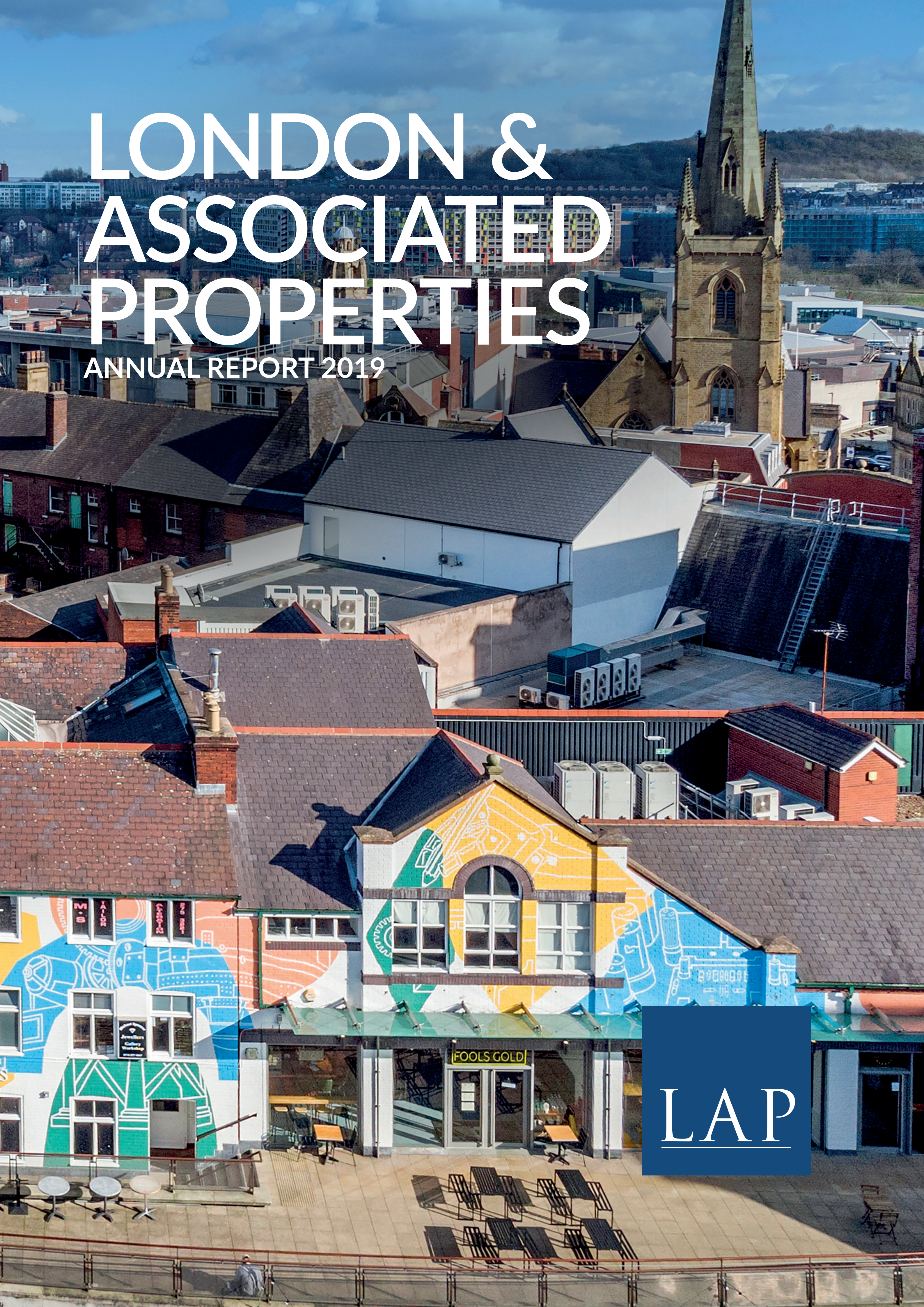
LONDON & ASSOCIATED PROPERTIES

ANNUAL REPORT 2019



LAP

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Financial calendar

Annual General Meeting
30 July 2020

Announcement of half year results to 30 June 2020
Late August 2020

Announcement of annual results for 2020
Late April 2021

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. LAP owns £76.6 million of property. As a property company we look to create environments where tenants can thrive.

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

FINANCIAL HIGHLIGHTS

Fully diluted net assets per share

43.04p

2018: 50.83p

IFRS net assets

£49.1m

2018: £55.7m

Properties portfolio valuation*

£74.8m

2018: £91.5m

*Includes investment properties, head leases assets held for sale and property inventory. Excludes properties under management.

KEY PROJECTS

	KEY PROJECTS	HIGHLIGHT
Directly owned	• **Orchard Square, Sheffield** • **Runcorn Manor Park Industrial Estate** • **West Ealing development** • **Kings Square, West Bromwich**	• Repositioning of property focus continues at Orchard Square, Sheffield • Runcorn Industrial portfolio being actively managed for rental growth • Ealing development property planning application in progress
Coal production	• In South Africa, Black Wattle produced 1.28m metric tonnes of Run of Mine Coal in 2019 (2018: 1.32m metric tonnes)	

Chairman's statement and Chief Executive's review 2019

While this statement focuses on LAP's performance in 2019, all eyes are currently on the outbreak of Covid-19 and its far-reaching impact on every aspect of the economy, including real estate.

COVID-19 UPDATE

At LAP, our first priority will always be the health and safety of our staff, particularly those who will come into contact with members of the public on a daily basis. Our operational response to the virus was swift and decisive and we ensured that our staff were isolated from the public wherever possible, even before the lockdown was announced on 23rd March. Since the lockdown, we have shuttered a number of our retail assets that have no essential retailers, and worked with both our staff and tenants to minimise contact where shops or takeaways have remained open.

Rent collection on the week around the March quarter day was approximately 50% (of £1.8m billed), rising to around 55% within a month. This compares with 65% around the March quarter day in 2019. We are working hard with our managing agents to agree plans with our tenants that will allow them to pay rent over time. In some cases, this may be after they have reopened and been trading for a period. Many of our tenants are eligible for grants and we are working with them to access the grants that will enable them to continue to trade and pay the rent. Tenants owing around £600k have, so far, not engaged satisfactorily and are being pursued, although our efforts are being hampered by the current Government-imposed moratorium on legal action against tenants.

While March quarter day showed a significant drop in collection rates, we are bracing ourselves for a markedly lower level of collections in June. Almost all our tenants will have been closed since mid-March and this will have had a serious effect on their liquidity. We will again work with them to ensure that they are able to survive and pay us in due course.

So far, none of our tenants has commenced an insolvency procedure and all rents remain due and payable.

Currently we have unencumbered property worth £4.0m and unencumbered cash reserves of £4.3m. This money had been earmarked for future investment, although all non-essential capital expenditure is currently on hold to maintain sufficient liquidity to ensure that we can survive this lockdown.

We have not furloughed any head office staff. This is in part due to our decision to outsource much of our day-to-day property management to Carter Towler, a firm of chartered surveyors in Leeds. This move is cash neutral at day one, although we anticipate that it will lead to substantial savings in due course as we are able to reduce head office costs and other expenses. This change means that a previously fixed cost has been converted to a variable cost which will fluctuate with rental income. Our experience of the quality of the outsourcing services provided has been positive to date.

We will now turn to our 2019 results.

CONSOLIDATED RESULTS

2019 was a difficult year for real estate generally as political uncertainty weighed on investor sentiment. This was particularly acute in retail property as investors shied away from shopping centres particularly in mid-market towns with low levels of differentiation.

Our own property portfolio was revalued at £47.9m compared to £50.7m the year before. This 5.5% drop is a creditable performance given underlying negative sentiment towards the retail sector. We have suffered less than many as a result of focusing primarily on value orientated locations which continue to remain relevant and where tenants have been better able to avoid insolvency procedures.

Net assets fell from £55.7m to £49.1m. This reflects the reduction in the value of the property portfolio of £3.0m and the loss relating to our investment in Project Harrogate of £1.7m. These items together with other gains of £0.2m and a nil profit before revaluations (2018: £3.7m) led to a loss before tax of £4.5m compared with a profit of £1.3m for the same period last year.

DEBT MANAGEMENT

More positively we have reduced our borrowings by £15.4m to £41.2m improving gearing from 70.5% to 65.0%.

Our five year loans with Santander and Europa Mezzanine Finance expired in May 2019. Although these loans initially had totalled £45.0m, they had been paid down to a combined £28.3m by the start of 2019. The loans were further reduced to £18.3m following the disposal of part of our shopping centre in Sheffield in July 2019, which we describe more fully below.

Many consider that the lending market for retail property reached a low during 2019. However, following an extensive review of all lenders still willing to finance retail property assets, we were able to agree terms with clients of PMM, specialist lenders, to refinance Orchard Square in Sheffield with a new £14m loan at an all-in rate of 6.95%. Although this debt is significantly more expensive than the previous loan on this asset, the new financing reflects the market and it should be noted that this was one of the only loans to be made against a shopping centre during the whole of 2019. Our successful refinancing reflects the quality of the asset as well as our strong reputation for asset management, allied to the fact that we have never defaulted on a loan.

The balance of the outstanding Santander loan was repaid from our cash resources leaving Wickersley uncharged. We have, however, since the financial year end, charged £2.35m of the Wickersley property to Metro Bank to enable us to access £2.27m of cash held by them in a locked account.

LAP PROPERTY ACTIVITIES

Orchard Square, Sheffield

While progressing with our efforts to develop this site for realisation, we have continued to manage it actively. Progress has been satisfactory, particularly given the harsh trading backdrop for shopping centres. The most significant deal that we completed was the disposal of a long-leasehold interest, for £9.5m, of our unit on Fargate – previously let to River Island at £0.5m a year. The buyer was Metro Bank, who will occupy the unit as a flagship bank at ground level with offices throughout the remainder of the building.

As part of the development process we continue to reposition Orchard Square towards experiential retail, in particular food and beverage. We were carrying out works to create a street food market when the lockdown was announced. The management contract to operate this market is under offer to an established and successful market operator with experience of South Yorkshire and we expect to conclude this contract once the lockdown is lifted.

As part of the repositioning we have let two units at first floor adjacent to a large terrace to two restaurant operators. This includes an existing successful independent restaurateur who has opened a wood-fired pizza restaurant and a new venture that is selling macaroni cheese. Both units opened just before the lockdown and initial trading was strong.

We also commissioned a large mural at first floor level to improve the public realm and appeal to a different type of consumer. The mural has received much positive media coverage.

Manor Park, Runcorn
We have had a successful year at Manor Park where we own eight freehold industrial units. During 2019 and the early part of 2020, we completed an extension of the 16,500 sq. ft. unit let to Bay-Lynx to add a further 6,000 sq. ft. As part of the deal, we have signed a new 10 year lease, with a 5 year break, at a rent which is some 25% higher than before.

This is the first deal that we have completed for a different asset class, where we have used the skill set which, for many years we have applied to investing in multi-let retail. We believe that this demonstrates the transferability of these skills and we look forward to completing further similar transactions in the future both at Manor Park and in other investments.

We also completed the re-gear of a lease on another unit and are about to refurbish a large self-contained unit which the tenant vacated towards the end of the year. We have received strong interest in the unit and are confident that not only will it be let quickly but also that we should see positive rental growth.

West Ealing
We acquired this residential development site in West Ealing in a joint venture with Bisichi plc and Metroprop, a developer, in 2018. Following a long pre-application process with Ealing Council, we have now submitted a planning application to develop 54 flats with ground floor retail. The application has been well received and we are negotiating some design details with the Council. The lockdown has interrupted the planning process but we expect to make progress over the next few months.

West Bromwich
This shopping centre continues to trade at full occupancy although there is some turnover of traders as is usual in a community-orientated shopping centre with a number of independent retailers. Prior to the lockdown, we had not struggled to find new occupiers.

In addition, Superdrug renewed their lease albeit at a rent some 45% lower than that agreed in 2009. Similarly, Bon Marche opted to keep their store following their administration in October at a rent some 19% lower than was previously passing.

Brixton
In July we completed the sale of 414 Coldharbour Lane in Brixton, the final asset from the Ocean Portfolio which we had acquired in 2005. We received £2.35m compared to a 2018 book value of £1.25m. The buyer was the same as for Brixton Markets the previous year. As this property formed part of the collateral pledged to Metro Bank, the net cash receipts of £2.25m were held on deposit, but, as noted above, this cash has been released as a result of part of Wickersley being added to the collateral for the loan.

Project Harrogate
In May 2019, LAP announced that its partner, Oaktree Capital Management, had declined to inject further cash into the joint venture to cure a loan-to-value breach following the annual revaluation in March. As a result, the mezzanine lender, DRC, exercised its right to take over the equity of the joint venture and our stake became worthless. This has led to a write down of £1.7m. This was a most unsatisfactory end to what had been a reasonable performance of the shopping centres against strong retail headwinds and reflected the poor investment market for secondary shopping centres.

Following a refinancing in December 2017, in which we declined to participate, Oaktree owned approximately 97% of the equity and we were therefore unable to influence the decisions that led to the ultimate loss of control.

DRAGON RETAIL PROPERTIES
Dragon had a good year as Boots the chemist, its principal tenant, signed a new 10 year lease with a 5 year break at £93,000 per annum, a 1.1% increase over the previous passing rent. This was an excellent result in the current retail climate. Dragon has a £1.2m loan against this property which expires in September 2020. We are talking to Santander, the existing lender, about a new loan or a short extension to enable us to refinance in an orderly manner. I will update shareholders on progress in due course.

BISICHI PLC
Bisichi PLC benefited from improved coal prices and stable operating costs but these advantages were offset by lower coal production and adverse exchange rates. This resulted in an operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) of £7.4m, as compared with the £9.1m achieved in 2018.

Looking forward is more difficult. Bisichi's South African coal mining and processing operations have been designated as essential business operations, which has allowed the Group's operations to continue during lockdown periods, although with a reduced or socially distanced workforce to help safeguard the health and safety of our employees. In terms of the coal markets, Bisichi has seen the significant downturn in economic activity related to the Covid-19 pandemic have an impact on overall demand for coal in the international market. However, demand for their particular coal in the domestic market has to date remained more stable. The duration and extent of the impact of the Covid-19 pandemic on the Bisichi South African operations, particularly in terms of their coal markets, remains uncertain. Similarly, the pandemic may have a significant impact on rental revenue collections from Bisichi's UK retail property portfolio, which is managed by LAP.

Bisichi continues to do all it can to ensure that the health and safety of its employees and stakeholders are protected and that its operations can continue in an efficient manner. In the circumstances, the directors of Bisichi have decided that they will not be recommending a dividend for the financial year ending 31 December 2019, although they will keep this position under review in the coming months depending on how the situation evolves. LAP's share of the dividend in 2019 was £266,000.

SUMMARY
As mentioned above we have now entered a totally new chapter in economics. The effect of the coronavirus has been severe and is continuing to cause massive disruption across the UK. As the lockdown continues to be relaxed we feel that the location and quality of our portfolio remains a key advantage going forward.

Sir Michael Heller,
Chairman

John Heller,
Chief Executive

29 June 2020

STRATEGIC REPORT

Financial and performance review

The financial statements for 2019 have been prepared to reflect the requirements of IFRS 10. This means that the accounts of Bisichi 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 Properties 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.

This report comments on the performance of each of the Group's segments separately.

LONDON & ASSOCIATED PROPERTIES PLC

LAP's main objectives in 2019 have been to:

- Continue to provide environments in which tenants can thrive.
- Improve the business' operating cashflow on an ongoing basis.
- Reduce exposure to the retail sector.
- Ensure gearing is at an appropriate level.
- Maintain sufficient cash in the business to enable it to react to opportunities when they arise.

During 2019, as a result of ongoing negative market sentiment in the retail property sector, sensible investment opportunities have been limited, so LAP has sought to reduce its gearing levels.

During the year the following key actions have been taken to meet these objectives:

- Sale of part of the Sheffield development property, which has reduced LAP's exposure to the retail sector, in particular mid-market fashion retail, and enabled LAP to reduce its debt by £9.3m.
- Refinancing, in September 2019, of the debt outstanding against the Sheffield property, with a new £14m facility, the details of which are shown in note 18.
- As part of this refinancing £3.5m of cash was utilised to unencumber another property secured against this loan, further improving LAP's gearing.
- Sale of the remaining property in Brixton, in July 2019, for £2.35m. This cash was held as security by the lender on the Brixton property at 31 December 2019. In May 2020, this cash was released to LAP, with a further property being substituted as security, improving liquidity.
- Outsourcing LAP's property management activities to a third party provider, while retaining key strategic management. This is part of ongoing efforts to reduce overheads and improve operating cashflow. The full benefit of these changes is not expected to be seen until late 2020 and beyond.
- Development of the largest asset, Orchard Square, Sheffield, to refocus its use, reflecting the changing ways in which the public interacts with the city centre. In the current early stages of development, this is being achieved using existing cash resources.

As the business moves into 2020, on a more stable financial footing as a result of these actions, the key objectives remain the same.

The business continues to look for investment opportunities, particularly within the industrial sector and is taking further actions to improve its efficiency and its operating cashflow. The business continues to develop and refurbish its properties to provide environments in which tenants can thrive.

INCOME STATEMENT

	2019 £'000	2018 £'000
BUSINESS ANALYSIS		
Rental income	**4,813**	5,049
Service charge income	**628**	802
Proceeds from sale of trading properties	**9,500**	–
Management income from third party properties	**607**	718
LAP Revenue	**15,548**	6,569
Direct property costs	**(1,823)**	(2,269)
Impairment of inventory	**(1,750)**	–
Costs of sale of trading properties	**(10,491)**	–
Overheads	**(3,230)**	(4,035)
Depreciation	**(215)**	(9)
Operating (loss)/profit	**(1,961)**	256
Finance income	**58**	37
Finance expenses	**(2,552)**	(3,111)
Result before valuation movements	**(4,455)**	(2,818)
Other segment items		
Net decrease on revaluation of investment properties	**(1,498)**	(2,170)
Decrease in value of other investments	**(1,749)**	–
Adjustment to interest rate derivative	**169**	265
Revaluation and other movements	**(3,078)**	(1,905)
LAP loss for the year before taxation	**(7,533)**	(4,723)

Note: The figures exclude inter-company transactions.

LAP generates the majority of its income from property rentals, property management fees and development activities.

Rental income is down £236,000 year on year, although like for like rental income is up by £13,000, 0.3%, which in view of market conditions is a positive result.

In July 2019, part of our development property in Sheffield was sold for £9.5m . This was previously held at £10.3m, being the agreed sale price, less costs, at the date of the last Annual Report. The subsequent reduction in sales price has resulted in a trading loss of £1.0m. The gross revenue of £9.5m and total cost of the sale of £10.5m are shown in the Income Statement. The value of the Sheffield property, which is held as inventory, was reduced by £1.75m at 31 December 2019.

Net property costs after taking into account costs recovered through service charges have decreased by £0.3m to £1.2m, mostly as a result of the sale of Brixton Markets in 2018.

Overheads have reduced by £0.8m in the year to £3.2m. Lower Directors' bonuses in LAP of £0.7m (pre employers NIC) accounted for the majority of this. Following the adoption of IFRS 16 in 2019, £0.2m of office rent payments are no longer recognised as an overhead cost, rather the right-of-use asset created at 1 January 2019 has been depreciated by £0.2m in the year and an interest charge of £0.047m recognised on the lease liability.

Finance expenses have reduced by £0.6m, predominantly due to the reduction in total debt of LAP, following the sale of part of Sheffield, the subsequent repayment of debt held against that property and then the refinancing of this debt package.

Revaluation movements in the year include a £1.5m decrease (4.3%) in the value of investment properties to £33.7m. This was driven by increasing yields in the year, within the retail property sector, with a more minor impact from reduced rental values.

Revaluation movements in the year also include the previously announced write off of LAP's investment with Oaktree Capital Management (HRGT Shopping Centres LP) of £1.7m. This is explained in the Statement by the Chairman and Chief Executive. LAP acted as asset and property manager of the properties in the joint venture. Its annual gross fees of approximately £0.4m ended when our management agreement was terminated in September 2019. This is reflected in management income from third parties in the segmental analysis for 2019 in note 1. While the impact of this loss in income has been mitigated in 2020 by an overhead reduction arising from the outsourcing of our day to day management role to a new provider, it is still expected to have a net negative impact of approximately £0.2m in 2020.

Excluding the loss on sale and the impairment of trading properties in the year, the adjusted loss before valuation movements was £1.7m. This excludes management income and dividends received from Bisichi. Reducing this loss through the activities described above and generating more rental income remains a key focus for the business.

BALANCE SHEET

	2019 £'000	2018 £'000
Segment assets		
- Non-current assets – property	**33,718**	35,011
- Non-current assets – property, plant & equipment	**946**	106
Assets held for sale	**–**	2,285
Trading assets	**26,915**	38,556
- Cash & cash equivalents	**5,709**	11,345
- Non-current assets – other	**–**	1,748
- Current assets – others	**686**	1,947
Total assets excluding investment in joint ventures, assets held for sale and trading	**67,974**	90,998
Segment liabilities		
Borrowings	**(30,764)**	(45,352)
Current liabilities	**(5,750)**	(6,372)
Non-current liabilities	**(3,156)**	(3,122)
Total liabilities	**(39,670)**	(54,846)
Net assets	**28,304**	36,152

Note: The figures exclude inter-company transactions.

The reduction in non-current property assets is largely as a result of a £1.5m (4.3%) reduction in the valuation of LAP's investment properties.

The increase in property, plant and equipment follows the inclusion under IFRS 16 of a value for the rented head office building occupied by the Company. This was reclassified as an asset valued at £1.054m on 1 January 2019 and has been depreciated by £0.211m in the year, having a net book value of £0.843m at 31 December 2019. The present value of future rentals of £0.861m is included within liabilities.

In May 2019, LAP sold its Brixton property for £2.35m, shown as an asset held for sale in 2018. After costs there was no profit or loss on this transaction as the gain had been reflected in the 2018 accounts

Trading assets include Sheffield Orchard Square, which is currently being developed for sale and a residential development property in West Ealing. Both of these properties are held at the lower of cost and net realisable value.

The reduction to zero in the value of the other non-current assets relates entirely to the HRGT Shopping Centres LP joint venture and is discussed above.

Borrowings have reduced by £14.6m. We repaid loans to Santander (£21.5m) and Europa (£6.8m) which had a blended interest rate of 5.33%. As part of this debt repayment a new non-recourse loan of £14.0m was placed, with Phoenix CRE Sàrl, at a current interest rate of 6.95%. The loan has a minimum and maximum LIBOR agreement limiting the interest rate to between 6.95% and 7.45%. The increase in the interest rate of the new loan reflects the market for retail property lending in the UK currently.

LAP's debt now consists of the £14m facility expiring in September 2022, a debenture of £10m repayable in August 2022 and a £3.9m facility expiring in 2028. As in previous years, all loans and debentures are secured on core property and cash deposits and are covenant compliant at the year end.

GEARING	2019 £'000	2018 £'000
Total borrowings	30,764	43,352
Less cash and cash equivalents	(5,709)	(11,345)
Net borrowings	**25,055**	32,077
Total Equity	**28,304**	36,152
	88.5%	88.7%

The business has not set a target gearing level but monitors its debt and asset values constantly to maintain an appropriate level, taking into account market sentiment, the availability and cost of debt and cash flow forecasts.

CASH FLOW

CASH FLOW FROM OPERATIONS	2019 £'000	2018 £'000
Cash inflows / (outflows) from operating activities	**9,295**	(272)
Cash inflows from investing activities	**2,471**	27,058
Cash outflows from financing activities	**(17,402)**	(17,550)
Net (decrease) / increase in cash and cash equivalents	**(5,636)**	9,236
Cash and cash equivalents at 1 January	**11,345**	2,109
Cash and cash equivalents at 31 December	**5,709**	11,345

Note: The figures within the LAP cashflow include inter-company transactions.

Cash inflows from operating activities in 2019 include net sale proceeds of £9.3m from the part sale of the Sheffield development property in July 2019. Other operating cashflow was at break-even.

Investing activities include:

- The sale of Coldharbour Lane Brixton for £2.35m before costs in May 2019.
- No substantial acquisitions were made in 2019.

Financing activities include:

- The full repayment of the remaining Santander and Europa loans of £28.3m in September 2019.
- A new £14.0m, 3 year term loan in September 2019, with Phoenix CRE Sàrl, at 5.95% above LIBOR where LIBOR has a minimum and maximum rate of 1.0% and 1.5% respectively.

WEST EALING PROJECTS LIMITED

West Ealing is a 50:50 joint venture between LAP and Bisichi created with the purpose of delivering a primarily residential development in West Ealing, London. The joint venture owns 90% of the property which is under development and on which £6.67m has been spent to date. There is a linked development loan of £3.61 million, described further in note 18.

BISICHI PLC (FORMERLY BISICHI MINING PLC)

Although the results of Bisichi 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 2019 financial statements which are available on its website www.bisichi.co.uk.

Bisichi has two core revenue streams – investment in retail property in the UK and coal mining in South Africa.

The Bisichi group profit before tax reduced to £3.0m (2018: £6.1m) mainly due to lower coal production and sales from the South African operations as well as a weakening in the South African Rand to UK Sterling. The weakening of the Rand offset the higher prices achieved for coal and stable operating costs achieved in 2019.

UK retail property investments were valued at the year end at £11.75m (2018: £13.23m). The property portfolio is actively managed by LAP and generated rental income of £1.2 million in the year (2018: £1.1 million).

Bisichi has a South African structured trade finance facility with Absa Bank Limited for R100million (South African Rand) which covers the fluctuating working capital requirements of the South African operations. As part of the process and sale of the washing plant facilities from Black Wattle Colliery (Pty) Limited to its wholly owned subsidiary Sisonke Coal Processing (Pty) Limited ("Sisonke Coal Processing"), the R100million bank overdraft facility held by Black Wattle Colliery (Pty) Limited with Absa Bank Limited at 31 December 2018 was replaced in January 2019 by a new structured trade finance facility for R100million held by Sisonke Coal Processing ("new trade facility"). The new trade facility is renewable annually at 25 January and is secured against inventory, debtors and cash that are held in the South African operations.

In December 2019, Bisichi repaid its £5.84million loan facility with Santander Bank PLC and signed a new £3.96million term loan facility with Julian Hodge Bank Limited. The new debt package has a five year term and is repayable at the end of the term in December 2024. The interest cost of the loan is 4.00% above LIBOR. The loan is 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 £11,565,000. No banking covenants were breached by the group during the year.

The reduction in operating profit impacted cash flow negatively by £1.7m although this was offset by a saving in income tax paid of £1.1m. Additional investment in working capital of £1.9m as compared with last year's investment of £1.6m meant that operating cash flow was £3.7m as compared with £4.8m. Additional asset purchases including extra reserves and investments totalling £3.8m, net repayment of borrowings £2.1m and dividends paid (£0.6m) resulted in a reduction in cash resources of £2.8m.

The Bisichi group's financial position remains strong. Its net assets at 31st December 2019 were £20.6 million (2018: £20.1 million). The group expects to continue achieving significant value in 2020 from its existing mining operation.

Bisichi continues to seek to expand its operations in South Africa through the acquisition of additional coal reserves. In the UK, management is looking forward to progressing its development in West Ealing and is currently investigating other major investment opportunities in the domestic property sector. This is in line with Bisichi's overall strategy of balancing the high risk of the mining operations with a dependable cash flow and capital appreciation from the UK property investment operations.

DRAGON RETAIL PROPERTIES LIMITED

Dragon is a UK property investment company. The company has a Santander bank loan of £1.2m secured against its investment property, see note 18. It paid management fees of £88,000 (2018: £72,000) split equally between the two joint venture partners. Its results continue to be near breakeven after taxation. Dragon has net assets of £1.6m (2018: £1.5m).

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 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. Further disclosure of specific factors affecting going concern are discussed in more detail in the going concern section of the group accounting policies of the financial statements. In addition, the Directors consider that Note 21 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.

STATEMENT REGARDING SECTION 172 OF THE UK COMPANIES ACT

Section 172 of the UK Companies Act requires the Board to report on how the directors have had regard to the matters outlined below in performing their duties. During the year, the Directors consider that they have acted in a way, and have made decisions that would, most likely promote the success of the Group for the benefit of its members as a whole as outlined in the matters below:

- The likely consequences of any decision in the long term: see Principal Activity, Strategy & Business Model and Risks and Uncertainties on pages 10 to 11;
- The interests of the Group's employees; ethics and compliance; fostering of the Company's business relationships with suppliers, customers and others; and the impact of the Group's operations on the community and environment: see Corporate Responsibility and Sustainability reports on pages 13 to 14;
- The need to act fairly between members of the Company: see the Corporate Responsibility section on page 14;
- The desirability of maintaining a reputation for high standards of business conduct: see the Corporate Governance section on pages 19 to 20

COVID-19 UPDATE

LAP

At this time, our main priority is the health and safety of our staff, tenants and the public. For that reason properties have been closed in line with government guidance, as described further in the Chairman's statement and Chief Executive's Review.

We have received 64% of all rent in relation to the March quarter and we are expecting a similar amount to be paid in respect of the June quarter. Excluding VAT, LAP would normally expect to receive circa £1.2m in rent each quarter.

LAP has unencumbered cash of £4.3m currently, all of which is held in UK bank accounts. There are no barriers, taxes or other costs to be paid in accessing this cash. The cash is available to meet any shortfalls brought about by the impacts on the business of COVID -19. These may include:

- Delayed tenant payments
- Unpaid debt due to tenant insolvencies
- Additional costs to ensure our properties are safe for use

We are working with our tenants so that they pay their obligations to us when they are financially able. Many tenants are eligible for the various Government schemes set up in the wake of the Coronavirus pandemic and we are supporting them in accessing these, including:

- Coronavirus Job Retention Scheme
- Business Rates Relief
- Business Support Grant Funds
- Coronavirus Business Interruption Loan Scheme
- Coronavirus Bounce Back Loan
- Deferral of VAT payments

LAP has conducted a range of cashflow scenario testing and believes that its existing available cash resources are sufficient to meet its obligations, even in, what the Directors consider, is the worst case scenario. The Directors are of the opinion that LAP does not require additional funding to meet the cash impact of COVID-19 on the business.

LAP has no overdraft facility or undrawn credit lines and has three existing borrowing arrangements all of which are secured against its properties. No banking covenants have been breached and LAP has met all of its obligations under its agreements with lenders. The Directors see no impediment to LAP continuing to meet its obligations to lenders in the future.

LAP currently has unencumbered properties, valued at 31 December 2019 at circa £4m.

To mitigate the cash impact of COVID-19 on the business, LAP is managing its expenditure until such time as the Directors consider the risks to have sufficiently subsided.

- The Directors are not recommending a final dividend for the current financial year.
- A number of staff located at our properties have been furloughed.
- VAT payments have been deferred in line with the amended rules
- All refurbishment and development capital expenditure has been suspended and projects placed on hold. There will be no material additional cost to the business of doing this.
- We have actively reduced spending where possible following the cessation of trading at our properties. This will result in lower service charge costs for our tenants and a saving for the business on any vacant properties.
- Material property acquisitions are on hold.

The Directors have produced a four year cashflow forecast with varying scenarios examining the sensitivity of LAP's liquidity to the following variables:

- Length of duration of COVID-19's impact on the business
- Value of delayed receipts from tenants over that period
- Length of duration of delayed receipts from tenants
- Loss in cash receipts from tenants never settling their lease obligations
- Volume of tenants going into insolvency or administration and the length of time expected to re-let the property

The Directors have taken into consideration our experiences of tenant payments to date, information received directly from tenants about their financial position and expectations of our tenants' future trading. The Directors anticipate that the effects of the closure of some of our properties will have a permanent effect on the results of the business in 2020 although are unable to estimate the quantum at this stage.

LAP has three principal loans, as described in note 18, with the below maturity dates:

- £10m Debenture August 2022
- £14m term loan September 2022
- £3.9m term loan September 2028 (Bank break September 2023)

The £10m debenture and £3.9m term loan have remained compliant after the year end and are anticipated to continue to do so, based on the scenario forecasting.

The £14m term loan was covenant compliant in April 2020, but due to lower tenant receipts in March and April following the COVID-19 lockdown there was insufficient cash in the subsidiary for it to meet its obligation to the lender. The Board agreed with the lender that the LAP Group will fund its subsidiary's obligations under the loan agreement in April and is putting in place the same arrangement for July 2020.

The Directors are satisfied that LAP has sufficient liquidity to meet its obligations under any of the scenarios examined and is committed to doing so.

The Board continues to monitor the situation and our modelling is updated continually.

BISICHI

Bisichi has consulted with the government authorities and its stakeholders in South Africa to determine and agree the appropriate measures to be taken across its South African mining and processing operations. Such measures have been focused on the health and safety of employees, assisting in the continuing provision of coal as an essential raw material, the security and integrity of the assets, and the ability to maintain operations at levels of activity that are aligned with government objectives and the country's broader economic interests.

Bisichi continues to monitor and adhere to all of the South African government's Covid-19 related guidelines and regulations including all updates and advice from the National Department of Health, the Department of Minerals Resources and Energy and the Office of the President.

The Group's South African coal mining and processing operations have been designated as essential business operations as they fall within the supply chains of other essential businesses as defined by the South African government. Since late March, Bisichi's South African operations, have continued, although with a reduced or socially distanced workforce to safeguard the health and safety of employees.

Bisichi management have been fully engaged in managing the impact of the Covid-19 pandemic on its operations both in the UK and in South Africa. Bisichi management's priorities are the health and safety of all of employees and stakeholders and the continuity of the business during this challenging time.

In terms of business continuity, Bisichi's South African coal mining and processing operations have been designated as essential business operations. At present, the final impact of the pandemic on Bisichi's future prospects and financial performance remains uncertain. However, to date, the financial position has remained strong and at present, there are adequate financial resources to ensure the business remains viable for the foreseeable future and that liabilities are met.

OVERALL POSITION

With a quality property portfolio comprising a majority of tenants with long leases supported by suitable financial arrangements, the Directors believe that the group property operations (including Bisichi and Dragon) are well placed to address the current business risks successfully, despite the continuing uncertain economic climate. The mining operations too, as a key industry in South Africa, have a positive future despite the pandemic risks. It is also relevant that LAP would be able to continue as a viable business if Bisichi were to face unexpected problems as there are no cross guarantees and LAP is not dependent on the income from Bisichi.

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 £7.9m (2018: £7.2m). As LAP returns to profit, these tax losses and deductions should be utilised.

DIVIDENDS AND FUTURE PROSPECTS

Due to the current economic uncertainties, the LAP Board has agreed that it will not be recommending a dividend for the financial year ending 31 December 2019.

The Group remains reasonably optimistic about our ability to weather the COVID-19 storm. We have strong relations with our tenants and are in active discussion with a number of them to ensure that we are paid the rent that we are owed while they are able to continue trading once non-essential shops and restaurants are permitted to re-open. We have also refinanced two loans to ensure that further cash is now uncharged and available to spend if required.

Looking through to our medium term trading, we intend to pursue our previously stated strategies. These include further reducing the Group's reliance on retail property although we feel that our value-orientated properties with low reliance on fashion retailers have inbuilt defensive qualities. We do not need to fire-sell assets therefore, but we are prepared to enter into negotiations with parties that have approached us to explore disposals or joint ventures to redevelop certain assets within our portfolio. A number of these negotiations are ongoing although we are not yet able to say if any will come to fruition.

We will also pursue our policy of investing in other asset classes, including industrial property where we have enjoyed early success and in further joint ventures to undertake residential development. We will see through our development in Ealing to satisfactory planning consent and then either build it out or seek to sell our shares in the joint venture.

We will also pursue our strategy of developing our Sheffield shopping centre. We have commenced initial preparation of a number of plans there which fit in with the Local Authority's wider aspirations for the city centre.

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.

The principal activity of Bisichi PLC is coal mining in South Africa. Further information is available in its 2019 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
COVID-19 risk	Health and safety of employees and stakeholders. Risks related to business interruption and tenant failures as outlined below.	Strategies for mitigating the risks have been defined and specific measures for achieving these are already underway. These include the measures outlined in the Chairman's Statement and Financial & Performance Review sections of this report.
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

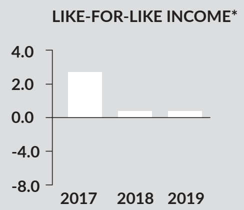
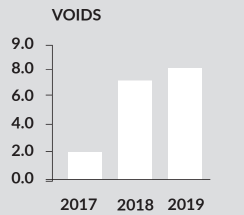
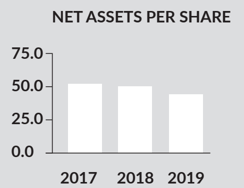
Bisichi (although it is consolidated into group accounts as required by IFRS 10) is managed independently of LAP. The risks outlined below are an abbreviated summary of the risks reported by the Directors of Bisichi to the shareholders of that Company. Full details are available in the published accounts 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
COVID-19 risk	Health and safety of employees and stakeholders and risks related to coal prices and demand and the value of UK property.	Strategies for mitigating the risks have been defined and specific measures for achieving these are already underway. These include the measures outlined in the Chairman's Statement and Financial & Performance Review sections of this report.
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.	
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 8.38%, with a larger industrial unit in Runcorn currently being refurbished.	
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 7.79 pence per share (15.3%) to 43.04p.	

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 2019:

- Black Wattle Colliery recorded one Lost Time Injury during 2019.
- 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 2019 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 2019 to 31st December 2019. 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 2019[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	2019	2018
Scope 1 emissions	Natural gas (tCO_2e)	**53**	169
	Refrigerants (tCO_2e)	**0**	0
Scope 2 emissions	Electricity (tCO_2e)	**1,354**	2,519
	Total tCO_2e	**1,407**	2,688
	Intensity ratio (tCO_2e/£thousand)	**0.296**	0.514

Table 2. LAP controlled areas

	EMISSIONS SOURCE	2019	2018
Scope 1 emissions	Natural gas (tCO_2e)	**53**	169
	Refrigerants (tCO_2e)	**0**	0
Scope 2 emissions	Electricity (tCO_2e)	**104**	134
	Total tCO_2e	**157**	303

Table 3. Tenant controlled areas

	EMISSIONS SOURCE	2019	2018
Scope 1 emissions	Natural gas (tCO_2e)	**0**	0
	Refrigerants (tCO_2e)	**0**	0
Scope 2 emissions	Electricity (tCO_2e)	**1,250**	2,385
	Total tCO_2e	**1,250**	2,385

1. 2019 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

	2019 CO_2E TONNES	2018 CO_2E TONNES
Emissions source:		
Scope 1 Combustion of fuel & operation of facilities	**22,626**	21,348
Scope 1 Emissions from coal mining activities	**26,435**	27,428
Scope 2 Electricity, heat, steam and cooling purchased for own use	**13,153**	12,177
Total	**62,213**	60,953
Intensity:		
Intensity 1 Tonnes of CO_2 per pound sterling of revenue	**0.0013**	0.0012
Intensity 2 Tonnes of CO_2 per pound of coal produced	**0.0486**	0.0462

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 10 employees (5 male, 5 female).

BISICHI PLC

Bisichi PLC's Group at the year end had 8 directors (7 male, 1 female), 7 senior managers (6 male, 1 female) and 219 employees (150 male, 69 female).

Detailed information relating to the Bisichi Strategic Report is available in its 2019 financial statements.

Approved on behalf of the board of directors

Jonathan Mintz
Finance Director

29 June 2020

GOVERNANCE

Directors & advisors

EXECUTIVE DIRECTORS

Sir Michael Heller MA FCA*
(Chairman)

John A Heller LLB MBA
(Chief Executive)

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

Phoenix CRE Sàrl

Santander UK plc

Metro Bank plc

SOLICITORS

Pinsent Masons LLP

Wake Smith Solicitors Limited

STOCKBROKER

Shore Capital Markets 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 2019.

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 14 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 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 14.

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 21 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

In the light of the current uncertain economic environment, the directors are not recommending payment of a final dividend for 2019 (2018: 0.18p per share).

THE COMPANY'S ORDINARY SHARES HELD IN TREASURY

At 31 December 2019, 218,197 (2018: 218,197) ordinary shares were held in Treasury with a market value of £47,349 (2018: £56,731). At the Annual General Meeting (AGM) in June 2019 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 23 July 2020.

Treasury shares held at 1 January 2019 and at 31 December 2019	**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 2019 by independent professional firms of chartered surveyors – Allsop LLP, London (71.1 per cent of the portfolio), Carter Towler, Leeds (26.0 per cent) – and by the Directors (2.9 per cent). The valuations, which are reflected in the financial statements, amount to £44.6m (2018: £47.4m).

No property (2018: £2.3m) is included under current assets, as assets held for sale.

Property of £26.9m (2018: £38.6m) is included under current assets, as inventory, at the lower of cost or net realisable value.

Taking account of prevailing market conditions, the valuation of the properties at 31 December 2019 resulted in a decrease of £3.0m (2018: decrease of £2.6m). 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 21 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, H D Goldring, C A Parritt and R Priest were Directors of the company for the whole of 2019. Mr J Mintz was appointed as a Director on 11 February 2019.

R Priest is retiring by rotation at the Annual General Meeting in 2020 and offers himself for re-election.

Robin Priest is a senior advisor to Alvarez & Marsal LLP ("A&M") and to a 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. The board has considered the appointment of Robin Priest and recommends his re-election as Director. His knowledge of structured finance and experience of dealing with challenging and complex assets and portfolios is of significant benefit to the business.

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 24 in the Annual Remuneration Report.

Substantial shareholdings

	31 DEC 2019		31 DEC 2018	
	NO.	%	NO.	%
Sir Michael Heller and family	48,080,511	56.35	48,080,511	56.35
Cavendish Asset Management Limited	8,211,044	9.62	8,061,044	9.45
James Hyslop	4,886,258	5.73	4,886,258	5.73
Maland Pension Fund	3,323,383	3.89	2,931,198	3.44

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 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 2019 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 (2018: £Nil). £2,250 of donations for charitable purposes were made during the year (2018: £2,800).

CORPORATE RESPONSIBILITY

Environment

The environmental considerations of the group's South African coal mining operations are covered in the Bisichi 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 2019 can be found on pages 13 and 14 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 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 directors have reviewed the COVID-19 scenario forecasts and the underlying assumptions on which they are based, which are described in more detail in the COVID-19 section of the Strategic Report. 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 21 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 19 and 20 of the annual report and accounts.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 24 Bruton Place, London, W1J 6NE on Thursday 30 July 2020 at 10.00 a.m. Items 1 to 7 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. 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 7 – Authority to allot securities

Paragraph 7.1.1 of Resolution 7 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 June 2020 (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 7.1.2 of Resolution 7 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 June 2020 (being the last practicable date prior to the publication of this Directors' Report).

The Directors' authority will expire on the earlier of 31 August 2021 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).

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

For and on behalf of London & Associated Properties PLC

29 June 2020
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 15. 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 32. 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 22 to 25.
- 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 31. The Chief Executive and Finance Director are normally invited to attend.

BOARD AND BOARD COMMITTEE MEETINGS HELD IN 2019

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

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

*Attended audit committee by invitation.

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. Their background and skills are set out on page 15.

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 2019. 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 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 2019. 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 July 2020.

The current remuneration policy, which details the remuneration policy for directors, can be found at www.lap.co.uk. The current remuneration policy was subject to a binding vote which was approved by shareholders at the AGM in June 2017. The approval will continue to apply for a 3 year period up to the AGM on 30 July 2020.

The second part details the Remuneration Policy for Directors. This policy is subject to a binding vote which will be proposed to shareholders at the AGM in 2020 and if approved will apply for a 3 year period commencing from the conclusion of the AGM.

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

29 June 2020

Annual remuneration report

THE FOLLOWING INFORMATION HAS BEEN AUDITED

Single total figure of remuneration for the year ended 31 December 2019

	SALARY AND FEES £'000	BONUSES £'000	BENEFITS £'000	PENSIONS £'000	**TOTAL BEFORE SHARE OPTIONS £'000**	SHARE OPTIONS £'000	**TOTAL 2019 £'000**
Executive Directors							
Sir Michael Heller*	7	-	59	-	**66**	n/a	**66**
Sir Michael Heller - Bisichi	82	200	-	-	**282**	n/a	**282**
J A Heller	533	-	43	-	**576**	n/a	**576**
J Mintz	143	50	-	12	**205**	n/a	**205**
	765	250	102	12	**1,129**	-	**1,129**
Non-executive Directors							
H D Goldring*+	18	-	9	-	**27**	n/a	**27**
C A Parritt*+	37	-	-	-	**37**	n/a	**37**
R Priest*	35	-	-	-	**35**	n/a	**35**
	90	-	9	-	**99**	-	**99**
Total	855	250	111	12	**1,228**	-	**1,228**

J A Heller has an entitlement to an employer pension contribution of £72,000 at 31 December 2019, but has elected for this not to be paid.

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

* Note 25 "Related party transactions"

\+ Members of the remuneration committee for years ended 31 December 2018 and 31 December 2019. C A Parritt was the chair of the remuneration committee throughout both years.

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

Sir Michael Heller is a director of Bisichi PLC, (a subsidiary for IFRS 10 purposes) and received a salary from that company of £82,500 (2018: £82,500) for services. He also received a bonus of £200,000 in each year.

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 (2018: £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 £9,632 (2018: £6,500) for services. This is included in the remuneration figures disclosed above.

Using its discretion the Committee awarded a bonus of £50,000 to J Mintz in recognition of his considerable contribution to the cost cutting programme.

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
Jonathan Mintz	11 February 2019	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 £15,000 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 2019 bonuses or for 2018 bonuses.
2. **Partnership shares:** No partnership shares were issued between November 2018 and October 2019.
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 2019 amounted to £Nil (2018: £Nil).

Dividend shares issued:

	NUMBER OF MEMBERS		NUMBER OF SHARES		VALUE OF SHARES	
	2019	2018	**2019**	2018	**2019 £**	2018 £
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 2019.

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 2019 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 2019.

PAYMENTS FOR LOSS OF OFFICE

No payments for loss of office were made in the year ended 31 December 2019.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

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 19	1 Jan 19	**31 Dec 19**	1 Jan 19
Sir Michael Heller	**5,749,341**	5,753,541	**19,277,931**	19,277,931
H D Goldring	**19,819**	19,819	**-**	-
J A Heller	**1,872,041**	1,867,841	**†14,073,485**	†14,073,485
C A Parritt	**36,168**	36,168	**-**	-
R Priest	**-**	-	**-**	-
J Mintz	**-**	-	**-**	-

† 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.

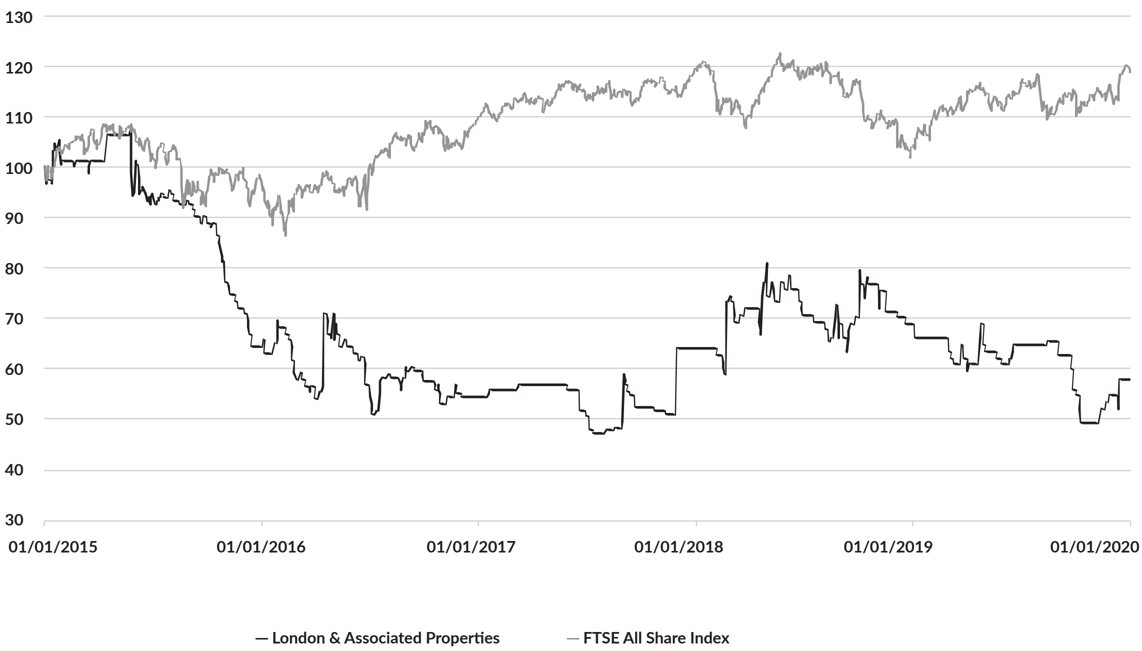
No share awards were made to the Directors in the year, and accordingly no discretion was exercised in determining any award or bonus payment as a result of any share price appreciation.

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 2019 was 21.7p (2018: 26p). During the year the share middle market price ranged between 18.5p and 26p.

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* %
2019	**J A Heller**	**576**	**0%**	**n/a**
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

*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 2018 and 2019 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		
	2019	2018	**% CHANGE**	**2019**	2018	**% CHANGE**
Base salary and allowances	**533**	533	**0%**	**279**	256	**9.0%**
Taxable benefits	**43**	37	**16.2%**	**78**	72	**8.3%**
Annual bonus	**0**	300	**-100%**	**37**	383	**-90.3%**
Total	**576**	870	**-33.8%**	**394**	711	**-44.6%**

*Head office employees consist of those employed by the business for the whole of 2018 and 2019 and differ from those included in the calculation in the previous Annual Report.

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	2019 £'000	2018 £'000
Employee Remuneration	**9,614**	9,889
Distributions to shareholders	**0**	256

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 forthcoming 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 2019. No increases were awarded and no external advice was taken in reaching this decision.

SHAREHOLDER VOTING

At the Annual General Meeting on 12 June 2019, 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 (12 June 2019)	72.91	27.09	41,952
Resolution to approve the Remuneration Policy (6 June 2017)	83.14	16.69	89,602

Although more than 20% of shareholders voted against the approval of the remuneration report at the 2019 AGM, the Remuneration Committee and the Board believe that the current remuneration policy (approved by shareholders in 2017) is still appropriate. They have noted that a number of shareholders voted against the remuneration report. However, they believe that it is essential to reward executive directors at a commercial rate and that the payments are in accordance with the agreed Policy.

Remuneration policy summary

The remuneration policy summary below is an extract of the group's current remuneration policy on directors' remuneration, which was approved by a binding vote at the 2017 AGM. The approved policy took effect from 6 June 2017.

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

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 23) 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 he 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 22)
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.

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

Remuneration policy

INTRODUCTION

Set out below is the LAP Group policy on directors' remuneration (excluding Bisichi). This will be proposed for a binding vote at the 2020 AGM. If approved the policy will take effect from 30 July 2020.

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
- The LAP Group's general aim of seeking to reward all employees fairly according to the nature of their role and their performance

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 23) 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 in exchange for sacrificing fees.
Share options		Non-executive directors do not participate in the share option schemes

Notes to the Remuneration Policy

The changes made to the remuneration policy impose greater limitation on maximum bonuses payable to executive directors and add greater clarity to the arrangements for share options. There have been no other significant changes made to the proposed future remuneration policy from its predecessor.

- 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, although any increase in excess of inflation is unlikely, unless there are changes in responsibility. No individual director will be awarded a base salary in excess of £575,000 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 is using its discretion to determine 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, as well as NAV changes. 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 80% of base salary in any one year but the remuneration committee reserves the power to award up to 150% 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	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 at their discretion and will be subject to appropriate performance criteria at the time.
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

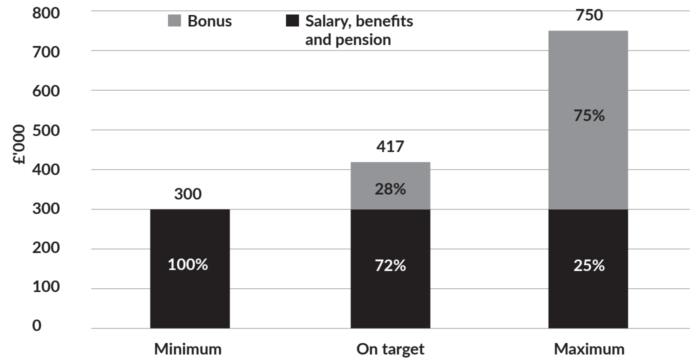
The remuneration committee considers the performance measures outlined in the table above to be appropriate measures of performance and that the KPIs chosen align the interests of the directors and shareholders.

For details of remuneration of other company employees please see page 25

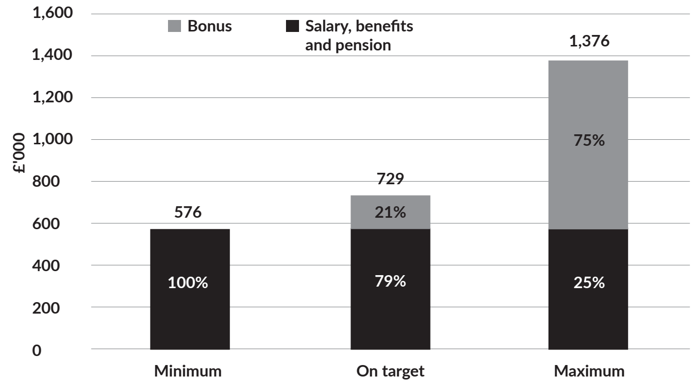
REMUNERATION SCENARIOS

An indication of the possible level of remuneration that would be received by each Executive director in the year commencing 30 July 2020 in accordance with the directors' remuneration policy is shown below.

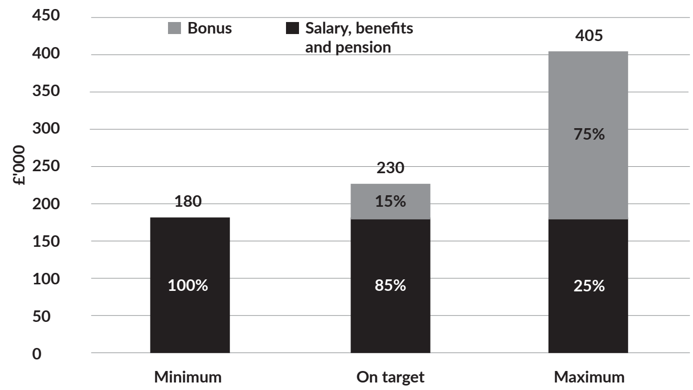
Sir Michael Heller



J A Heller



J Mintz



The base salary level for Sir Michael Heller for the purpose of these graphs (and bonus calculations) is £300k as per note on page 22.

ASSUMPTIONS

Minimum

Consists of base salary, benefits and pension. Base salary, benefits and pension for 2020 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2019.

On target

Based on the minimum, enhanced by a bonus calculated as the average percentage bonus awarded to the individual in the three years ended on 31 December 2019. As outlined in the policy table above, the remuneration committee has discretion to award bonuses of up to 80% of base salary in any one year (up to 150% in an exceptional year).

Maximum

Based on the minimum, enhanced by the maximum bonus available in an exceptional year (150% of base salary).

APPROACH TO NEW RECRUITMENT REMUNERATION

All appointments to the board are made on merit. The components of the remuneration package (for a new director who is recruited within the life of the approved remuneration policy) would comprise base salary, pension, benefits and an opportunity to earn an annual bonus and be granted share options as outlined above. The approach to such appointments is detailed within the policy summary above. The company will pay remuneration to new directors at a level that will enable it to attract appropriately skilled and experienced individuals but which is not, in the opinion of the remuneration committee excessive.

SERVICE CONTRACTS

All executive directors have full-time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds twelve months. Directors' notice periods (see the annual remuneration report) are set in line with market practice and are of a length considered sufficient to ensure an effective handover of duties should a director leave the company.

All directors' contracts as amended from time to time, have run from the date of appointment. Service contracts are kept at the registered office.

POLICY ON PAYMENT FOR LOSS OF OFFICE

There are no contractual provisions that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the remuneration committee to issue employment contracts to executive directors with normal commercial terms and without extended terms of notice which could give rise to extraordinary termination payments.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

In setting this policy for directors' remuneration the remuneration committee has been mindful of the company's objective to reward all employees fairly according to their role, performance and market forces. In setting the policy for Directors' remuneration the committee has considered the pay and employment conditions of the other employees within the group, but no formal consultation has been undertaken with employees in drawing up the policy. The committee has not used formal comparison measures.

CONSIDERATION OF SHAREHOLDER VIEWS

There have been no direct consultations with shareholders in formulating this policy, but the Committee has taken note of comments made at the 2019 AGM and the votes against the Remuneration report. In accordance with the regulations, an ordinary resolution for approval of this policy will be put to shareholders at the AGM on 30 July 2020.

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 a year 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
- reviewed and discussed with the auditors the results of the FRC Audit Quality Review in respect of the 2018 accounts and, noting that the FRC considered that limited improvements were required, we discussed the auditor's proposals to address these for the 2019 audit; and, in addition
- 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 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

29 June 2020

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 15, 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 2019 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 2019 and of the group's loss 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 regulations.

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.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	**Group** • Going concern • Valuation of investment and development properties **Parent Company** • None
Materiality	**Group** • Overall materiality: £1.50 million (2018: £1.50 million) **Parent Company** • Overall materiality: £0.65 million (2018: £0.65 million)
Scope	Our audit procedures covered 99.7% of revenue, 99.8% of net assets and 98.3% of loss before tax.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOING CONCERN	
Key audit matter description	Following the year end, Covid-19 was declared a global pandemic and is having a significant and unprecedented impact on all sections of the global economy, the extent of which is not yet fully apparent. The potential risks to the Group include: • tenants defaulting on, or deferring, rent payments resulting in cash flow difficulties for the Group; • reductions in asset values in the property market, which may cause the Group to breach loan to value covenants; and • tightening of lending conditions including covenants. The financial statements are prepared on the going concern basis of accounting, and the above factors have an impact on the assessment of the Group's ability to continue as a going concern. There is a risk, therefore, that the judgements involved in assessing going concern in the current climate are inappropriate, resulting in a material misstatement. There is also a risk that the disclosures made, including of whether there is a material uncertainty in relation to going concern, are inadequate or incomplete. Group management has set out its disclosures in relation to Covid-19 and going concern on pages 18 and 42.
How the matter was addressed in the audit	We discussed with management the process they undertook to assess going concern, including the impact of Covid-19. We audited the Group's assessment of going concern, including cash flow projections and forecast covenant compliance based on normal trading conditions, which were then sensitised to enable management to assess the potential impact of Covid-19. The audit work included: • reviewing minutes of board meetings, and the board paper prepared on going concern • reviewing the base case forecasts in detail for the period to September 2021. We checked the mathematical accuracy of the model, and compared revenues and costs to the actual results for 2019, taking account of known and reasonably foreseeable changes; • considering the reasonableness of assumptions and the sensitivity analysis prepared by management; • checking projected covenant compliance to the model and against the loan agreements; • applying reverse stress tests to the model, which included a reduction in property revenues due to deferral of collection of 60% of rent to Q1 2021, non-payment of rents of 20% for the remainder of the 2020 calendar year and Q1 of 2021, and a reduction in property valuations of up to 20%. • considering the likelihood and reasonableness of possible mitigating actions proposed by management, including the provision of additional security to cure possible loan to value covenant breaches, and alternative financing plans; and • reviewing the disclosures made in the financial statements in respect of going concern.
Key observations	The conclusions in relation to going concern are set out in the "Conclusions relating to going concern" paragraph above.

VALUATION OF INVESTMENT AND DEVELOPMENT PROPERTIES	
Key audit matter description	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 2019 investment property valued at £44.6 million (note 8) was disclosed within non-current assets in the financial statements. Separately, property inventory was carried at £26.9 million (note 12). The directors' assessment of the value 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 values of the assets, and the subjectivity and complexity of the valuation process, which involves significant judgements and estimates as disclosed on page 44 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.
How the matter was addressed in the audit	*Investment properties* Our response 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 £1.3 million which was subject to internal valuation; • assessing the qualifications and expertise of management's valuers, 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; • consulting an independent auditor's expert on the valuation of certain properties in the portfolio whose values fell outside our expectations; 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. *Development properties* Our response included: • agreeing the cost of properties held as inventory to underlying records; • for the Sheffield property, held at a value of £21.3 million, we assessed the value of the related development project by o reviewing and challenging the assumptions made by management in respect of anticipated sales prices and development costs, and the forecast profit margin on the project; o consulting an independent auditor's expert in respect of these assumptions; and o considering the adequacy of the impairment charge.
Key observations	The carrying values of the properties are consistent with the valuation reports provided for investment properties. Properties held in inventory, after impairment, are carried at the lower of cost and net realisable value.

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. Based on our professional judgement, we determined materiality as follows:

	GROUP	PARENT COMPANY
Overall materiality	£1.50 million (2018: £1.50 million)	£0.65 million (2018: £0.65 million)
Basis for determining overall materiality	3% of net assets	2.5% of net assets
Rationale for benchmark applied	Net assets are the key criteria on which the performance of the group is measured, and the group regularly reports net asset value per share as a metric to shareholders.	
Reporting of misstatements to the Audit Committee	Misstatements in excess of £37,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £16,250 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group consists of 31 components. 27 of these are based in the UK and four are based in South Africa.

Full scope audits were undertaken for 28 components. This resulted in coverage of 99.8% of the group's net assets, 99.7% of revenue and 98.3% of the loss for the period.

Of the above, full scope audits for eight components were undertaken by component auditors.

One other component was considered significant as it contained material amounts of inventory, the recognition of which is a key audit matter for the group. That component was subject to specific audit procedures, in respect of development properties. The remaining two components were subject to analytical review procedures at group level.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 31 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, 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 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 32, 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 33 years, covering the years ending 31 December 1987 to 31 December 2019.

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

29 June 2020

FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 31 December 2019

	NOTES	2019 £'000	2018 £'000
Group revenue	1	**63,966**	56,651
Operating costs		**(60,766)**	(49,293)
Operating profit		**3,200**	7,358
Finance income	4	**86**	61
Finance expenses	4	**(3,252)**	(3,682)
Result before revaluation and other movements		**34**	3,737
Non–cash changes in valuation of assets and liabilities and other movements			
Decrease in value of investment properties	8	**(2,988)**	(2,565)
Decrease in value of trading investments		**(6)**	(169)
Decrease in value of other investments		**(1,749)**	–
Adjustment to interest rate derivative	21	**169**	265
(Loss)/profit for the year before taxation	2	**(4,540)**	1,268
Income tax charge	5	**(951)**	(675)
(Loss)/profit for the year		**(5,491)**	593
Attributable to:			
Equity holders of the Company		**(6,477)**	(2,082)
Non-controlling interest	24	**986**	2,675
(Loss)/profit for the year		**(5,491)**	593
Earnings per share			
Loss per share - basic and diluted	7	**(7.59)p**	(2.44)p

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	2019 £'000	2018 £'000
(Loss)/profit for the year	**(5,491)**	593
Other comprehensive income/(expense):		
Items that may be subsequently recycled to the income statement:		
Exchange differences on translation of Bisichi PLC foreign operations	**(49)**	(430)
Other comprehensive expense for the year net of tax	**(49)**	(430)
Total comprehensive (expense)/income for the year net of tax	**(5,540)**	163
Attributable to:		
Equity shareholders	**(6,493)**	(2,239)
Non–controlling interest	**953**	2,402
	(5,540)	163

Consolidated balance sheet

at 31 December 2019

	NOTES	2019 £'000	2018 £'000
Non–current assets			
Market value of properties attributable to Group	8	**44,580**	47,430
Present value of head leases	8	**3,326**	3,261
Property		**47,906**	50,691
Mining reserves, property, plant and equipment	9	**10,472**	8,659
Investments	14	**287**	1,783
		58,665	61,133
Current assets			
Inventories - Property	12	**26,915**	38,556
Inventories - Mining	13	**2,432**	1,511
Assets held for sale	10	**–**	2,285
Trade and other receivables	15	**8,399**	8,022
Corporation tax recoverable		**19**	–
Investments	16	**1,119**	887
Cash and cash equivalents		**13,533**	20,655
		52,417	71,916
Total assets		**111,082**	133,049
Current liabilities			
Trade and other payables	17	**(12,835)**	(13,341)
Borrowings	18	**(10,120)**	(41,388)
Lease liabilities	19	**(424)**	(213)
Interest rate derivatives		**–**	(169)
Current tax liabilities		**(457)**	(73)
		(23,836)	(55,184)
Non–current liabilities			
Borrowings	18	**(31,063)**	(15,255)
Lease liabilities	19	**(3,842)**	(3,048)
Provisions	20	**(1,554)**	(1,571)
Deferred tax liabilities	22	**(1,654)**	(2,305)
		(38,113)	(22,179)
Total liabilities		**(61,949)**	(77,363)
Net assets		**49,133**	55,686
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 PLC)		**(868)**	(852)
Capital redemption reserve		**47**	47
Retained earnings (excluding treasury shares)		**24,271**	30,906
Treasury shares	23	**(144)**	(144)
Retained earnings		**24,127**	30,762
Total equity attributable to equity shareholders		**36,726**	43,377
Non–controlling interest	24	**12,407**	12,309
Total equity		**49,133**	55,686
Net assets per share - basic and diluted	7	**43.04p**	50.83p

These financial statements were approved by the board of directors and authorised for issue on 29 June 2020 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 2019

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	TRANSLATION RESERVES £'000	CAPITAL REDEMP-TION RESERVE £'000	TREASURY SHARES £'000	RETAINED EARNINGS EXCLUDING TREASURY SHARES £'000	TOTAL EXCLUDING NON–CONTROLLING INTERESTS £'000	NON–CON-TROLLING INTERESTS £'000	TOTAL EQUITY £'000
Balance at 1 January 2018	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 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	(239)	(238)	(949)	(1,187)
Balance at 31 December 2018	8,554	4,866	(852)	47	(144)	30,906	43,377	12,309	55,686
(Loss)/profit for year	–	–	–	–	–	(6,477)	(6,477)	986	(5,491)
Other comprehensive income/(expense):									
Currency translation	–	–	(16)	–	–	–	(16)	(33)	(49)
Total comprehensive income/(expense)	–	–	(16)	–	–	–	(16)	(33)	(49)
Total comprehensive income/(expense)	–	–	(16)	–	–	(6,477)	(6,493)	953	(5,540)
Transactions with owners:									
Dividends – equity holders	–	–	–	–	–	(158)	(158)		(158)
Dividends – non–controlling interests	–	–	–	–	–	–	–	(855)	(855)
Transactions with owners	–	–	–	–	–	(158)	(158)	(855)	(1,013)
Balance at 31 December 2019	**8,554**	**4,866**	**(868)**	**47**	**(144)**	**24,271**	**36,726**	**12,407**	**49,133**

Consolidated cash flow statement

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Operating activities		
(Loss)/profit for the year before taxation	**(4,540)**	1,268
Finance income	**(86)**	(61)
Finance expense	**3,252**	3,682
Decrease in value of investment properties	**2,988**	2,565
Decrease in trading and other investments	**1,755**	169
Adjustment to interest rate derivative	**(169)**	(265)
Depreciation	**2,407**	2,122
Share based payment expense	**–**	18
Development expenditure on inventories	**(409)**	(6,256)
Sale of inventory - property (net of costs)	**9,309**	–
Loss on sale of inventory - property	**991**	–
Exchange adjustments	**123**	65
Change in inventories	**805**	(797)
Change in receivables	**(448)**	(235)
Change in payables	**(994)**	(354)
Cash generated from operations	**14,984**	1,921
Income tax paid	**(1,199)**	(2,281)
Cash inflows/(outflows) from operating activities	**13,785**	(360)
Investing activities		
Disposal of assets held for sale	**2,285**	36,474
Acquisition of investment properties, mining reserves, plant and equipment	**(3,350)**	(9,438)
Acquisition of other investments	**(490)**	–
Sale of plant and equipment	**–**	1
Interest received	**86**	199
Cash (outflows)/inflows from investing activities	**(1,469)**	27,236
Financing activities		
Interest paid	**(2,932)**	(3,711)
Interest obligation under leases	**(259)**	(178)
Repayment of lease liability	**(193)**	–
Receipt of bank loan - Bisichi PLC	**3,908**	753
Repayment of bank loan - Bisichi PLC	**(6,011)**	(19)
Repayment of bank loan - Dragon Retail Properties Ltd	**–**	(65)
Receipt of bank loan - London & Associated Properties PLC	**13,725**	7,202
Repayment of bank loan - London & Associated Properties PLC	**(28,482)**	(16,438)
Repayment of short term loan from joint ventures and related parties	**–**	(30)
Repayment of debenture stocks	**–**	(3,000)
Equity dividends paid	**(154)**	(255)
Equity dividends paid - non-controlling interests	**(375)**	(309)
Cash outflows from financing activities	**(20,773)**	(16,050)
Net increase in cash and cash equivalents	**(8,457)**	10,826
Cash and cash equivalents at beginning of year	**17,120**	6,266
Exchange adjustment	**28**	28
Cash and cash equivalents at end of year	**8,691**	17,120

The cash flows above relate to continuing operations.

Cash and cash equivalents

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

	2019 £'000	2018 £'000
Cash and cash equivalents (before bank overdrafts)	**13,533**	20,655
Bank overdrafts	**(4,842)**	(3,535)
Cash and cash equivalents at end of year	**8,691**	17,120

£340,000 of cash deposits at 31 December 2019 were charged as security to debenture stocks (2018: £340,000).

£2,271,000 of cash deposits at 31 December 2019 were charged as security to bank loans (2018: £500,000).

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 rate derivatives at fair value.

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	
	2019	2018	**2019**	2018
Year-end rate	**18.5759**	18.3723	**1.3254**	1.2690
Annual average	**18.4326**	17.5205	**1.2781**	1.3096

London & Associated Properties PLC ("LAP"), the parent company, is a public limited 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") consist of LAP, all of its subsidiary undertakings, including Bisichi PLC ("Bisichi") and Dragon Retail Properties Limited ("Dragon"). The Group without Bisichi and Dragon is referred to as LAP Group.

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 for the 15 months from the date of signing. 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, including separate sections discussing the potential impact of COVID-19 on the LAP Group. In addition, Note 21 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.

Given the significant impact of Covid-19 on the macro-economic conditions in which LAP is operating, additional stress-testing has been carried out on LAP's ability to continue in operation under extremely unfavourable operating conditions, including a scenario in which we are unable to collect a significant proportion of our rent for an extended period of time. While the assumptions we have applied in these scenarios are possible, they do not represent our view of the likely outturn. However, the results of these tests help to inform the Directors' assessment of the viability of LAP. We have assessed the impact of these assumptions on the key financial metrics over a four year period, including the net cash position and debt covenants. The majority of our properties serve local communities with convenience retail and tenants therefore tend to be sole traders, rather than large fashion retailers. Sole traders rely on their property to serve the local community and are less affected by the structural disruptions seen in the wider retail environment. We have over two hundred tenants and we are not reliant on any single large tenant.

Cash position

Our worst-case scenario, which we consider a remote possibility, assumes that over a twelve-month period:

- 60% of tenants delay payments for nine months
- 20% of tenants are never able to pay
- 15% of tenants become insolvent
- It takes 5 months to re-let an empty property
- No dividend is received from Bisichi until 2021

As a result of the above assumptions, in June 2021 LAP's cash balances would fall to £0.5m and increase to £1.3m by June 2024. These estimates include discretionary spending that could be delayed or stopped entirely and assume that no further sources of funding are sought.

Debt Covenants

We have looked at falls in valuations across all our properties and assessed the effect on our debt covenants. In all cases we have the option to paydown the loans to cure Loan to Value covenants.

A 20% reduction in property valuations, being our worst-case scenario, would require LAP to repay loans of £2.0m to meet Loan to Value covenants. This could either be met from existing cash reserves, by providing currently unencumbered properties, valued at £4.275 million, as additional security or by selling or leveraging other investments and assets.

Some, but not all, loans are non-recourse to the group. Our largest loan, of £14 million with Phoenix CRE S.à r.l, is non-recourse and could be called without a material impact on the wider group in the short and medium term. Should properties secured against London & Associated Properties PLC's £10 million debenture with Aviva suffer a 20% fall in value, either currently unencumbered properties or £320,000 of cash could be added to the existing security. The property mix of the current security is 72% community retail and 28% industrial; values of the latter are widely considered to be more resilient in the current climate.

Loan debt service covenants react more immediately to short term delays in rent payments than property values. For all loans, the group is able, at its discretion, to provide assistance to match any shortfall in rents received.

Debt Refinancing

Dragon has a £1.2 million loan expiring within the next year, where we have been granted an extension to January 2021 by the existing lender to assist us in the refinancing, following the delays caused by COVID. We are exploring a number of options for this refinancing which we expect to be able to complete in good time. The LTV on this loan is relatively low at 49% and the security is considered attractive.

Broadway Regen has a development loan expiring in July 2020 on which an extension is currently being arranged with the existing lender, following extensions of the facility in July 2019 and January 2020. This is a residential development on which we anticipate strong returns. We expect this refinancing to be completed shortly, and that the lender will continue to roll over until such time as we dispose of the project.

Both these loans are ring-fenced within the group's joint venture vehicles, where the major partner is Bisichi PLC. Although in both cases we are confident that refinancing can be achieved satisfactorily, we note that, were the loans to be called, there are sufficient assets available to settle the obligations and their disposal would not affect the ability of the group to continue to operate as a going concern.

Bisichi PLC

The directors note the consideration of going concern by the Bisichi board, but also note that any failure of Bisichi would not itself impact on the going concern status of the LAP group for the reasons set out on page 8 of the financial statements.

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 2019.

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 has replaced IAS 17 'Leases' and eliminates the classification of leases as either operating leases or finance leases and, instead, introduces a single lessee accounting model specifying how leases are recognised, measured, presented and disclosed.

The Group has applied IFRS 16 using the modified retrospective approach and has not adjusted prior period figures, resulting in a nil impact on opening equity.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Right of use assets totalling £1,111,000, being £1,054,000 of properties occupied by the Group and £57,000 of mining equipment, were recognised on transition at 1 January 2019 at a value equal to the lease liability using a discount rate at the date of the initial application. This has been applied using the exemption not to re-present the prior reporting period. The related lease liability of £1,111,000 is recognised as the present value of the lease payments. No impairment provisions have been made against leases as they are not considered to be onerous.

Interest is accrued on the lease liability based on the discount rate and is reported in finance costs and subsequent payments reduce the lease liability. The right of use asset is depreciated over the life of the contract on a straight line basis. In the cashflow statement the principal and interest portions of the lease payments are classified within financing activities.

The table below sets out the impact on the Consolidated Balance Sheet as at 31 December 2019 and 1 January 2019:

	31 DECEMBER 2019 £'000	1 JANUARY 2019 £'000
Right of Use Assets		
Head leases	3,326	3,261
Property	843	1,054
Equipment	81	57
	4,250	4,372
Lease liability		
> 1 year	424	213
< 1 year	3,842	4,159
	4,266	4,372

The table below shows the impact on the Consolidated Statement of Comprehensive Income for the year to 31 December 2019 compared tor reporting under IAS17:

	12 MONTHS ENDED 31 DECEMBER 2019 £'000
Loss before tax under IFRS 16	(2,790)
Depreciation of right of use assets	224
Finance costs	252
	(2,314)
Rental cost under IAS17	(452)
Profit before tax under IAS 17	**(2,766)**

Whilst the cash flows of the group have not been affected by the adoption of IFRS 16, during the period ended 31 December 2019 cash outflows from financing activities presented with the Consolidated Statement of Cash Flows increased by £193,000 for cash payments of the principal portion and £47,000 for cash payments of the interest portion of leases recognised within lease liabilities under IFRS 16. Cash generated from operations reflects the corresponding reduction of £240,000 of payments for leases previously classified as operating leases under IAS 17.

Differences between the operating lease commitments disclosed at 31 December 2018 under IAS17 discounted at the incremental borrowing rate of 4.5% at 1 January 2019 and lease liabilities recognised at 1 January 2019 are shown below:

	£'000
Operating lease commitments at 31 December 2018	**1,200**
Impact of discounting	(146)
Finance lease liabilities at 31 December 2018	3,261
Other reconciling items (net)	57
Lease liability opening balance 1 January 2019	**4,372**

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates. A number of standards and amendments to standards have been issued but are not effective for the current year. These are not expected to have a material impact on the Group financial statements.

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

An assessment of the fair value of these assets is undertaken annually. The 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 and is discussed further in the Directors' Report and shown in note 8.

Inventories - Property

When the Group begins to redevelop an existing investment property with a view to sale, 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 plus any costs for asset management initiatives or development in preparation for sale and subject to any provision required to reduce cost to net realisable value.

In assessing the net realisable value of a property development, the directors make significant estimates and judgements regarding, inter alia, forecast sales and costs per square foot, gross internal area, affordable housing allocations and appropriate rates of financing. The degree to which these variables can be accurately forecast will depend on the stage of development of the particular project and the impact of changes in these assumptions to the net realisable value could be material. Further detail is included in note 12.

MINING OPERATIONS

Life of mine and reserves

The directors of Bisichi 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 subject to significant estimation uncertainty. The life of mine remaining is currently estimated at 4 years. This life of mine is based on the group's existing coal reserves including reserves acquired but subject to regulatory approval. The life of mine excludes future coal purchases and coal reserve acquisitions. The group's estimates of proven and probable reserves are prepared utilising the South African code for the reporting of exploration results, mineral resources and mineral reserves (the SAMREC code) and are 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 20.

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 2019 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 11% reduction in average forecast coal prices or a 12% reduction in yield would give rise to a breakeven scenario. However, the Bisichi directors consider the forecasted yield levels and pricing to be appropriate and supportable best estimates.

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 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 properties where leases have granted tenants a right of occupation and use of the properties. 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 the 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 no longer recognises 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 does not recognise financial liabilities when the Group's obligations are discharged, cancelled, or have expired.

Investments
Current financial asset investments and other investments classified as non-current ("The investments") comprise of shares in listed companies. The investments are measured at fair value. Any changes in fair value are recognised in the profit or loss account and accumulated in retained earnings.

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

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 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.

Leases
At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. The Group recognises a right-of-use ("ROU") asset and the lease liability at the commencement date of the lease.

Lease liabilities include the present value of payments which generally include fixed payments and variable payments that depend on an index (such as an inflation index). Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or if not, the incremental borrowing rate is used. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. In the cashflow statement the principal and interest portions of the lease payments are classified within financing activities.

The ROU asset is measured at a cost based on the amount of the initial measurement of the lease liability, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU asset (other than the ROU assets that relate to land or property that meets the definition of investment property under IAS 40) is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment. ROU assets are included in the heading Property, plant and equipment, and the lease liability is included in the headings current and non-current lease labilities on the Balance Sheet

Lease liabilities arise for those investment properties held under a leasehold interest and recorded 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 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.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases. The payments for such leases are recognised in the Income Statement on a straight-line basis over the lease term.

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 properties 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. Additional expenditure 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, is capitalised in the carrying value of that property. Where there is a change of use, such as commencement of development with a view to sale, 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.

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 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 are generally measured at the lower of their carrying amount and fair value less costs of sale. 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
Properties held as trading inventory are those which are being developed with a view to sale. Inventories are recorded at the lower of cost and net realisable value. 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 is 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 comprise 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 in accordance with IAS 7. This includes the structured trade finance facility held in South Africa as detailed in note 21. 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 PLC (FORMERLY 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 have 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.

Export revenue is generally recognised when the product is delivered to the export terminal location specified in the customer contract, at which point control of the goods have been transferred to the customer. Domestic coal revenues are generally recognised on collection by the customer from the mine or when loaded into transport from the mine's rail sidings, where the customer pays the transportation costs. Fulfilment costs to satisfy the performance obligations of coal revenues such as transport and loading costs borne by the group from the mine to the delivery point are recoded in operating costs.

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 the 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 separates 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 2019

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	2019 TOTAL £'000
Rental income	4,813	1,249	172	**6,234**
Service charge income	628	181	–	**809**
Proceeds from sale of trading properties	9,500	–	–	**9,500**
Management income from third party properties	607	–	–	**607**
Mining	–	46,816	–	**46,816**
Group Revenue	15,548	48,246	172	**63,966**
Direct property costs	(1,823)	(572)	–	**(2,395)**
Impairment of inventory	(1,750)	–	–	**(1,750)**
Cost of sale of trading properties	(10,491)	–	–	**(10,491)**
Direct mining costs	–	(33,484)	–	**(33,484)**
Overheads	(3,230)	(6,745)	(143)	**(10,118)**
Exchange losses	–	(123)	–	**(123)**
Depreciation	(215)	(2,190)	–	**(2,405)**
Operating profit/(loss)	(1,961)	5,132	29	**3,200**
Finance income	58	28	–	**86**
Finance expenses	(2,552)	(667)	(33)	**(3,252)**
Result before valuation movements	(4,455)	4,493	(4)	**34**
Other segment items				
Net decrease on revaluation of investment properties	(1,498)	(1,480)	(10)	**(2,988)**
Decrease in value of other investments	(1,749)	–	–	**(1,749)**
Net decrease on revaluation of investments held for trading	–	(6)	–	**(6)**
Adjustment to interest rate derivative	169	–	–	**169**
Revaluation and other movements	(3,078)	(1,486)	(10)	**(4,574)**
(Loss)/profit for the year before taxation	(7,533)	3,007	(14)	**(4,540)**
Segment assets				
- Non-current assets - property	33,718	11,748	2,440	**47,906**
- Non-current assets - plant & equipment	946	9,508	18	**10,472**
- Cash & cash equivalents	5,709	7,720	104	**13,533**
- Non-current assets - other	–	287	–	**287**
- Current assets - others	686	10,940	343	**11,969**
Total assets excluding investment in joint ventures, assets held for sale and trading	41,059	40,203	2,905	**84,167**
Segment liabilities				
Borrowings	(30,764)	(9,244)	(1,175)	**(41,183)**
Current liabilities	(5,750)	(7,887)	(79)	**(13,716)**
Non-current liabilities	(3,156)	(3,857)	(37)	**(7,050)**
Total liabilities	(39,670)	(20,988)	(1,291)	**(61,949)**
Net assets	1,389	19,215	1,614	**22,218**
Inventories-property	26,915	–	–	**26,915**
Net assets as per balance sheet				**49,133**
Major customers				
Customer A	–	32,424	–	**32,424**
Customer B	–	10,985	–	**10,985**
Customer C	–	989	–	**989**

These customers are for mining revenue in South Africa.

GEOGRAPHIC ANALYSIS	UNITED KINGDOM £'000	SOUTH AFRICA £'000	2019 TOTAL £'000
Revenue	17,303	46,663	**63,966**
Operating (loss)/profit	(1,074)	4,274	**3,200**
Non-current assets excluding investments	48,901	9,477	**58,378**
Total net assets	44,081	5,052	**49,133**
Capital expenditure	582	3,177	**3,759**

1. RESULTS FOR THE YEAR AND SEGMENTAL ANALYSIS CONTINUED

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

Group revenue is external to the Group and the directors consider that inter segmental revenues are not material.

2. PROFIT BEFORE TAXATION

	2019 £'000	2018 £'000
Profit before taxation is stated after charging:		
Staff costs (see note 26)	**9,614**	9,889
Depreciation on tangible fixed assets - owned assets	**2,185**	2,123
Depreciation on tangible fixed assets - right of use assets	**224**	–
Operating lease rentals - land and buildings	**–**	240
Exchange loss	**123**	63
Profit on disposal of motor vehicles and office equipment	**–**	6
Amounts payable to the auditor in respect of both audit and non-audit services		
Audit services		
Statutory - Company and consolidation	**88**	83
Subsidiaries - audited by RSM	**19**	17
Subsidiaries - audited by other auditors	**89**	78
Further assurance services	**4**	4
Other services	**11**	9
	211	191

Staff costs are included in overheads.

Following the adoption of IFRS 16 'Leases', operating leases have been recognised as Right of use Assets within property, plant and equipment in the balance sheet at 1 January 2019 and depreciated in the year.

3. DIRECTORS' EMOLUMENTS

	2019 £'000	2018 £'000
Emoluments	**823**	1,899
Defined contribution pension scheme contributions	**85**	10
	908	1,909

Sir Michael Heller received £283,000 (2018: £284,000) as a Director of Bisichi PLC.

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

4. FINANCE INCOME AND EXPENSES

	2019 £'000	2018 £'000
Finance income	**86**	61
Finance expenses		
Interest on bank loans and overdrafts	**(1,963)**	(2,034)
Unwinding of discount (Bisichi)	**–**	(43)
Other loans	**(915)**	(1,169)
Interest on derivatives	**(122)**	(269)
Interest on lease obligations	**(252)**	(167)
Total finance expenses	**(3,252)**	(3,682)

5. INCOME TAX

	2019 £'000	2018 £'000
Current tax		
Corporation tax on profit of the period	**1,584**	2,017
Corporation tax on profit of previous periods	**(2)**	33
Total current tax	**1,582**	2,050
Deferred tax		
Loss relief	**44**	3,740
Origination of timing differences	**75**	(57)
Revaluation of investment properties	**(412)**	(5,056)
Accelerated capital allowances	**(370)**	(120)
Fair value of interest derivatives	**32**	51
Adjustment in respect of prior years	**–**	67
Total deferred tax (note 22)	**(631)**	(1,375)
Tax on profit on ordinary activities	**951**	675

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 (2018: 19.00 per cent). The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/Profit for the year before taxation	**(4,540)**	1,268
Taxation at 19 per cent (2018: 19 per cent)	**(863)**	241
Effects of:		
Capital gains / (losses) on disposal	**54**	(1,799)
Other differences	**386**	1,637
Losses	**913**	421
Adjustment in respect of prior years	**(2)**	(33)
Deferred tax rate adjustment	**463**	208
Income tax charge for the year	**951**	675

Analysis of United Kingdom and overseas tax:

United Kingdom tax included in above:

	2019 £'000	2018 £'000
Corporation tax	**14**	(10)
Adjustment in respect of prior years	**-**	33
Current tax	**14**	23
Deferred tax	**(671)**	(1,458)
	(657)	(1,435)

Overseas tax included above:

	2019 £'000	2018 £'000
Corporation tax	**1,570**	2,026
Adjustments in respect of prior years	**(2)**	-
Current tax	**1,568**	2,026
Deferred tax	**40**	84
	1,608	2,110

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 (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.

Following the year end, in the Budget of 11 March 2020, the Chancellor announced the reversal of the previously enacted reduction in the rate of corporation tax. This reversal was subsequently confirmed by a resolution under the Provisional Collection of Taxes Act 1968, which set the rate at 19%. The impact of this reversal, which will be recognised in 2020, will be negligible.

6. DIVIDEND

	2019		2018	
	PER SHARE	**£'000**	PER SHARE	£'000
Dividends paid during the year relating to the prior period	**0.180p**	**154**	0.300p	256
Dividends to be paid:				
Proposed final dividend for the year	**–**	**–**	0.180p	154

The Directors are not recommending a final dividend for 2019, because of the uncertain state of the global economy.

7. LOSS PER SHARE AND NET ASSETS PER SHARE

Loss per share has been calculated as follows:

	2019	2018
Loss for the year (£'000)	**(6,477)**	(2,082)
Weighted average number of ordinary shares in issue ('000)	**85,322**	85,325
Basic loss per share	**(7.59)p**	(2.44)p

Weighted average number of shares in issue is calculated after excluding treasury shares of 218,197 (2018: 218,197).

Net assets per share have been calculated as follows:

	2019	2018
Net assets (£'000)	**36,726**	43,377
Shares in issue ('000)	**85,322**	85,322
Basic net assets per share	**43.04p**	50.83p

8. INVESTMENT PROPERTIES

	TOTAL £'000	FREEHOLD £'000	LEASEHOLD OVER 50 YEARS £'000	LEASEHOLD UNDER 50 YEARS £'000
Cost or valuation at 1 January 2019	50,691	32,318	16,314	2,059
Reclassification	–	–	1,802	(1,802)
Decrease on revaluation	(2,988)	(1,722)	(1,216)	(50)
Acquisition of property	138	62	76	–
Increase/(decrease) in present value of head leases	65	–	65	–
At 31 December 2019	**47,906**	**30,658**	**17,041**	**207**
Representing assets stated at:				
Valuation	44,580	30,658	13,722	200
Present value of head leases	3,326	–	3,319	7
	47,906	**30,658**	**17,041**	**207**

	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**

The leasehold and freehold properties, excluding the present value of head leases and directors' valuations, were valued as at 31 December 2019 by professional firms of chartered surveyors. The valuations were made at fair value. The directors' property valuations were made at fair value.

	2019 £'000	2018 £'000
Allsop LLP	**31,715**	32,785
Carter Towler	**11,565**	13,045
Directors' valuations	**1,300**	1,600
	44,580	47,430
Add: present value of headleases	**3,326**	3,261
	47,906	50,691

Head leases on investment property represent the right-of-use asset on certain investment property that has a head lease interest. In the current year total cash outflow for head leases and other lease liabilities is £0.2 million (2018: £0.2 million). A number of these leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to fixed rents.

8. INVESTMENT PROPERTIES CONTINUED

The historical cost of investment properties, including total capitalised interest of £1,161,000 (2018: £1,161,000) was as follows:

	2019 FREEHOLD £'000	2019 LEASEHOLD OVER 50 YEARS £'000	2019 LEASEHOLD UNDER 50 YEARS £'000	2018 FREEHOLD £'000	2018 LEASEHOLD OVER 50 YEARS £'000	2018 LEASEHOLD UNDER 50 YEARS £'000
Cost at 1 January	**35,151**	**17,653**	**1,939**	67,702	17,653	1,939
Reclassification	**–**	**1,154**	**(1,154)**	–	–	–
Transfer to assets held for sale (note 10)	**–**	**–**	**–**	(202)	–	–
Transfer to inventory (note 12)	**–**	**–**	**–**	(38,902)	–	–
Additions	**62**	**76**	**–**	6,553	–	–
Cost at 31 December	**35,213**	**18,883**	**785**	35,151	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 2019 £'000	CARRYING/ FAIR VALUE 2018 £'000	VALUATION TECHNIQUE	KEY UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE) 2019	RANGE (WEIGHTED AVERAGE) 2018
Freehold – external valuation	**29,358**	30,720	Income capitalisation	Estimated Rental Value Per sq ft p.a	**£3 – £37 (£15)**	**£4 – £39 (£16)**
				Equivalent Yield	**5.5% – 13.3% (9.8%)**	**5.3% – 12.9% (9.7%)**
Leasehold over 50 years – external valuation	**13,722**	13,995	Income capitalisation	Estimated Rental Value Per sq ft p.a	**£4 – £10 (£8)**	**£5 – £10 (£9)**
				Equivalent Yield	**5.8% – 21.4% (14.9%)**	**5.8% – 19.9% (12.9%)**
Leasehold under 50 years – external valuation	**200**	1,115	Income capitalisation	Estimated Rental Value Per sq ft p.a	**£5 – £5 (£5)**	**£4 – £5 (£5)**
				Equivalent Yield	**30.5% – 30.5% (30.5%)**	**22.9% – 25.8% (23.5%)**
Freehold – Directors' valuation	**1,300**	1,600	Income capitalisation	Estimated Rental Value Per sq ft p.a	**£4 – £4 (£4)**	**£5 – £5 (£5)**
				Equivalent Yield	**7.0% – 7.0% (7.0%)**	**7.0% – 7.0% (7.0%)**
At 31 December	**44,580**	47,430				

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)	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Freehold – external valuation	**2,932/(2,932)**	3,067/(3,067)	**884/(831)**	948/(891)
Leasehold over 50 years – external valuation	**1,372/(1,372)**	1,400/(1,400)	**302/(289)**	337/(320)
Leasehold under 50 years – external valuation	**20/(20)**	112/(112)	**2/(2)**	12/(12)
Freehold – Directors' valuation	**130/(130)**	160/(160)	**48/(45)**	59/(55)

9. MINING RESERVES, PLANT AND EQUIPMENT

	TOTAL £'000	MINING RESERVES £'000	MINING EQUIPMENT £'000	OFFICE BUILDING £'000	OFFICE EQUIPMENT AND MOTOR VEHICLES £'000
Cost at 1 January 2019	28,173	1,240	26,148	–	785
Exchange adjustment	(310)	(14)	(293)	–	(3)
IFRS 16 transition adjustment	1,111	–	57	1,054	–
Additions	3,212	–	3,074	–	138
Disposals	(2,326)	–	(2,312)	–	(14)
At 31 December 2019	**29,860**	**1,226**	**26,674**	**1,054**	**906**
Accumulated depreciation at 1 January 2019	19,514	1,213	17,777	–	524
Exchange adjustment	(209)	(14)	(193)	–	(2)
Charge for the year	2,409	13	2,133	211	52
Disposals in year	(2,326)	–	(2,312)	–	(14)
Accumulated depreciation at 31 December 2019	**19,388**	**1,212**	**17,405**	**211**	**560**
Net book value at 31 December 2019	**10,472**	**14**	**9,269**	**843**	**346**
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)
Cost 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	(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

Included in the above line items are right-of-use assets over the following:

	TOTAL £'000	MINING EQUIPMENT £'000	OFFICE BUILDING £'000	OFFICE EQUIPMENT AND MOTOR VEHICLES £'000
Net book value at 1 January 2019	-	-	-	-
IFRS 16 transition adjustment	1,111	57	1,054	-
Additions	38	5	-	33
Exchange adjustment	(1)	(1)		
Depreciation	(224)	(9)	(211)	(4)
Net book value at 31 December 2019	**924**	**52**	**843**	**29**

10. ASSETS HELD FOR SALE

	2019 £'000	2018 £'000
At 1 January	**2,285**	36,441
Transfer from investment property (note 8)	**-**	2,285
Disposal	**(2,285)**	(36,441)
At 31 December	**-**	2,285

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.

In July 2019 the sale of the Group's remaining property in Brixton was completed for a price of £2.457 million. The property was held at a valuation of £2.285 million. This value equated to the net sale proceeds and there was no profit on sale.

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 2019 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
Orchard Square Limited	Property	100%	24 Bruton Place, London, W1J 6NE	England and Wales
Bisichi 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 (note A)	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 infrastructure:

	2019 £'000	2018 £'000
At 1 January	**38,556**	–
Capitalised expenditure	**127**	6,196
Capitalised interest	**282**	60
Sales	**(10,300)**	–
Impairments	**(1,750)**	–
Transfer from investment property (note 8)	**-**	32,300
At 31 December	**26,915**	38,556

The net realisable value of developments is assessed by the Directors and is subject to key estimates made in respect of future sales prices and build costs. Variations in these assumptions can have significant effects on the net realisable value of developments.

In 2018 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 £6.665 million (2018: £6.256 million) and is currently being developed for sale.

In 2018 the Group decided to develop for sale Orchard Square, Sheffield and transferred the asset to inventory. In 2019 part of this property was sold. The remainder of the property is held at a value of £20.25 million, being cost of £22 million less an impairment provision of £1.75 million, and is being developed for sale. A 5% movement in the estimated sales price of this development would have an effect of £2.6 million on its net realisable value. A 5% movement in the estimated build costs of this development would have an effect of £1.8 million on its net realisable value. The uncertainties in the assumptions used to calculate the net realisable value of this development will reduce over time, but will not resolve within the next 12 months due to the duration of this project.

13. INVENTORIES - MINING

	2019 £'000	2018 £'000
Coal		
Washed	**2,037**	777
Mining production	**135**	316
Work in progress	**215**	378
Other	**45**	40
	2,432	1,511

14. NON-CURRENT ASSET INVESTMENTS

	2019 TOTAL £'000	**LISTED SHARES £'000**	**UNLISTED SHARES £'000**	**LOAN STOCK £'000**	2018 TOTAL £'000	LISTED SHARES £'000	UNLISTED SHARES £'000	LOAN STOCK £'000
At 1 January	**1,783**	**35**	**1**	**1,747**	1,925	51	1	1,873
Additions	**255**	**255**	**–**	**–**	–	–	–	–
Repayments	**–**	**–**	**–**	**–**	(141)	(15)	–	(126)
Exchange adjustment	**–**	**–**	**–**	**–**	(1)	(1)	–	–
Impairments	**(1,751)**	**(3)**	**(1)**	**(1,747)**	–	–	–	–
At 31 December	**287**	**287**	**–**	**–**	1,783	35	1	1,747

In May 2019, The Group declined to inject further capital into the 3.17% (2018: 3.17%) investment in the HRGT Shopping Centres LP, a limited partnership set up in England to acquire and own 3 shopping centres in Dunfermline, Kings Lynn and Loughborough, following a revaluation by the senior lender resulting in a breach of the loan to value covenant. As a result, the investment was fully written down. The investment was subsequently sold to the mezzanine loan provider in October 2019.

The listed shares are all listed on overseas stock exchanges (Level 1 hierarchy).

15. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	**6,609**	6,055
Other receivables	**1,143**	949
Prepayments and accrued income	**647**	1,018
	8,399	8,022

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 impairment of trade receivables was £301,000 (2018: £277,000).

16. INVESTMENTS IN LISTED SECURITIES HELD AT FVPL

	2019 £'000	2018 £'000
Market value of listed Investments:		
Listed in Great Britain	**863**	847
Listed outside Great Britain	**256**	40
	1,119	887
Original cost of listed investments	**1,150**	916
Unrealised surplus / deficit of market value versus cost	**(31)**	(29)

The market value of listed investments is derived from their quoted share price on public markets (Level 1 hierarchy).

17. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	**3,996**	4,637
Other taxation and social security costs	**427**	411
Other payables	**3,894**	3,372
Accruals and deferred income	**4,518**	4,921
	12,835	13,341

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

18. BORROWINGS

	2019 £'000 CURRENT	2019 £'000 NON-CURRENT	2018 £'000 CURRENT	2018 £'000 NON-CURRENT
Other loans (Bisichi)	**261**	**382**	205	547
£1.25 million term bank loan (secured) repayable by 2020 (Dragon)*	**1,175**	**–**	–	1,164
Bank overdrafts (secured) (Bisichi)	**4,842**	**–**	3,535	–
£14 million term bank loan (secured) repayable by 2022 at 6.95 per cent*	**96**	**13,502**	–	–
£10 million first mortgage debenture stock 2022 at 8.109 per cent*	**–**	**9,956**	–	9,939
£3.96 million term bank loan (secured) repayable by 2024 (Bisichi)*	**–**	**3,759**	–	–
£5.876 million term bank loan (secured) repayable by 2019 (Bisichi)*	**–**	**–**	5,840	–
£3.605 million term loan (secured) - repayable by 2019 (Broadway Regen)	**3,605**	**–**	3,461	–
£34.897 million term bank loan (secured) repayable by 2019*	**–**	**–**	21,403	–
£10.105 million term bank loan (secured) repayable by 2019 at 9.5 per cent*	**–**	**–**	6,808	–
£3.932 million term loan (secured) repayable by 2028*	**141**	**3,464**	136	3,605
	10,120	**31,063**	41,388	15,255

Borrowings analysis by origin:

	2019 £'000	2018 £'000
United Kingdom	**35,698**	52,356
South Africa	**5,485**	4,287
	41,183	56,643

* 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.

No banking covenants were breached by the group during the year.

In September 2019, the £34.897 million Santander bank loan and £10.105 million Europa bank loan were repaid in full, utilising proceeds from the sale of property and a new £14 million term loan.

The £14 million term loan taken out in September 2019, with Phoenix CRE S.à r.l., is secured by way of a charge on a single freehold property, included in the financial statements as inventory at a value of £20.25 million. This loan has an interest rate of 5.95% above LIBOR, where LIBOR has a minimum and maximum rate of 1.0% and 1.5%, respectively.

The First Mortgage Debenture Stock August 2022 is secured by way of a charge on specific freehold and leasehold properties which are included in the financial statements at a value of £13.15 million. In addition, £0.34 million of cash deposits are charged as security to debenture stocks. An additional property has been charged to this Debenture in April 2020 and the cash deposit released.

In September 2018 a 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 £4.875 million. In addition, £2.271 million of cash deposits are charged as security, following the sale of a property previously held as security. The interest cost of the loan is 2.95 per cent above the bank's base rate and the loan is amortised over a 20 year repayment profile, with a final bullet payment after 10 years.

18. BORROWINGS CONTINUED

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 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 £10,533,000.

In December 2019, Bisichi repaid its £5.84 million loan facility with Santander Bank PLC and signed a new £3.96 million term loan facility with Julian Hodge Bank Limited. The new debt package has a five year term and is repayable at the end of the term in December 2024. The interest cost of the loan is 4.00% above LIBOR. The loan is 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 £11,565,000.

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 £2.44 million. The interest cost of the loan is 2 per cent above LIBOR. A refinancing of this loan is currently underway. An extension of the existing loan is available, if required, to allow time for refinancing discussions to be concluded.

The bank loan of £3.605 million (Broadway Regen) which is repayable in June 2020, following an extension of the facility, is secured by way of a first charge on a specific freehold development property, which is included in the financial statements at £6.7 million. The interest cost of the loan is fixed at 7.0% per annum. The extension of this development loan is currently being discussed with the lender and our expectation is that this will be extended on the same terms to allow sufficient time to achieve a planning decision.

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:

	2019 £'000 BANK BORROWINGS	**2019 £'000 LEASE OBLIGATIONS**	2018 £'000 BANK BORROWINGS	2018 £'000 FINANCE LEASES
Balance at 1 January	**56,643**	**3,261**	65,949	3,233
Exchange adjustments	**(57)**	**–**	(273)	–
Cash movements excluding exchange adjustments	**(15,583)**	**(456)**	(9,044)	–
Valuation movements	**180**	**1,461**	11	28
Balance at 31 December	**41,183**	**4,266**	**56,643**	**3,261**

19. LEASE LIABILITIES

	2019 TOTAL £'000	**2019 HEAD LEASES ON INVESTMENT PROPERTY[1] £'000**	**2019 OFFICE[2] £'000**	**2019 OTHER[2] £'000**	2018 TOTAL £'000
Minimum lease payments fall due:					
Within one year	**476**	212	240	24	213
Second to fifth year	**1,639**	849	720	70	849
After five years	**20,105**	20,105	–	–	16,725
	22,220	21,166	960	94	17,787
Future finance charges on lease liabilities	**(17,954)**	(17,840)	(99)	(15)	(14,526)
Present value of lease liabilities	**4,266**	**3,326**	**861**	**79**	3,261
Present value of lease liabilities:					
Within one year	**424**	212	193	19	213
Second to fifth year	**1,511**	783	668	60	783
After five years	**2,331**	2,331	–	–	2,265
	4,266	**3,326**	**861**		3,261

Lease liabilities greater than one year are £3,842,000.

1 Many head leases on investment properties provide for contingent rent in addition to the rents above, usually a proportion of rental income.

2 On adoption of IFRS 16 Leases (see note 1 for details), at 1 January 2019 the Group recognised right-of-use assets of £1,111,000 and lease liabilities of an equivalent amount. The right-of-use assets are presented within property, plant and equipment on the balance sheet, as shown in note 9.

19. LEASE LIABILITIES CONTINUED

The office lease minimum lease payments at 31 December 2018 were:

	£'000
Minimum lease payments fall due:	
Within one year	240
Second to fifth year	960
After five years	–

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

20. PROVISIONS

	2019 £'000	2018 £'000
At 1 January	**1,571**	1,349
Exchange adjustment	**(17)**	(150)
Additions	**–**	329
Unwinding of discount	**–**	43
At 31 December	**1,554**	1,571

The above provision relates to mine rehabilitation costs in Bisichi.

21. FINANCIAL INSTRUMENTS

Total financial assets and liabilities

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

	2019		2018	
	FAIR VALUE £'000	**CARRYING VALUE £'000**	FAIR VALUE £'000	CARRYING VALUE £'000
Cash and cash equivalents	**13,533**	**13,533**	20,655	20,655
Investments - non-current assets	**287**	**287**	1,783	1,783
Investments - current assets	**1,119**	**1,119**	887	887
Other assets	**7,793**	**7,793**	7,004	7,004
Derivative liabilities	**–**	**–**	(169)	(169)
Bank overdrafts	**(4,842)**	**(4,842)**	(3,535)	(3,535)
Bank loans	**(26,385)**	**(26,385)**	(43,521)	(43,169)
Lease liabilities	**(4,266)**	**(4,266)**	(3,261)	(3,261)
Other liabilities	**(7,923)**	**(7,923)**	(8,008)	(8,008)
Total financial liabilities before debentures	**(20,684)**	**(20,684)**	(28,165)	(27,813)

Fair value of the Group's debenture liabilities:

	BOOK VALUE £'000	**FAIR VALUE £'000**	**2019 FAIR VALUE ADJUSTMENT £'000**	2018 FAIR VALUE ADJUSTMENT £'000
Debenture stocks	**(10,000)**	**(10,497)**	**(497)**	(1,977)
Tax at 19 per cent (2018: 19 per cent)	**–**	**–**	**94**	376
Post tax fair value adjustment	**–**	**–**	**(403)**	(1,601)
Post tax fair value adjustment – basic pence per share	**–**	**–**	**(0.47p)**	(1.88p)

Except for debenture stocks there is no material difference between the carrying value and fair value of financial liabilities or financial assets. 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.

Treasury policy

The Group enters 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

The LAP Group and Dragon have variable interest term debts which are covered by derivatives. Additionally, The LAP Group has a variable interest term debt with minimum and maximum rates. At 31 December 2019, with other variables unchanged, a 1% increase in interest rates would change the profit/loss for the year by £119,000 (2018: £91,000). Bisichi has variable loans and a 1% increase in interest rates would change the profit/loss for the year by £107,000 (2018: £101,000).

21. FINANCIAL INSTRUMENTS CONTINUED

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 Bisichi United Kingdom bank loans and overdraft are secured by way of a first charge on certain fixed assets. The rates of interest vary based on LIBOR in the UK.

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 £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 bank's base rate.

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 £3.605 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 of 7.0%.

The £14 million bank loan is secured by way of first charge on a specific freehold development property held in inventory. The rates of interest vary based on LIBOR in the UK, with a minimum LIBOR of 1% and a maximum LIBOR of 1.5%.

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. The cash resources and funding facilities together 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").

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 2019, Bisichi repaid its £5.84million loan facility with Santander Bank PLC and signed a new £3.96million term loan facility with Julian Hodge Bank Limited. The loan is secured against Bisichi's UK retail property portfolio. The debt package has a five year term and is repayable at the end of the term in December 2024. The interest cost of the loan is 4.00% above LIBOR.

In September 2019 the LAP Group's £34.897 million term bank loan and the £10.105 million bank loan were repaid and a new £14 million facility signed with Pheonix CRE S.à r.l. This loan is secured on a single freehold property and is repayable in September 2022. The interest cost is 5.95% above LIBOR, where LIBOR has a minimum and maximum rate of 1.0% and 1.5%, respectively.

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.

	2019 TOTAL £'000	**LESS THAN 1 YEAR £'000**	**2-5 YEARS £'000**	**OVER 5 YEARS £'000**
Bank overdrafts (floating)	**4,842**	**4,842**	**–**	**–**
Debentures (fixed)	**9,956**	**–**	**9,956**	**–**
Bank loans (fixed)	**3,605**	**3,605**	**–**	**–**
Bank loans (floating)*	**22,780**	**1,673**	**18,269**	**2,838**
Lease liabilities	**4,266**	**424**	**1,511**	**2,331**
Trade and other payables (non–interest)	**12,408**	**12,408**	**–**	**–**
	57,857	**22,952**	**29,736**	**5,169**

	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
Lease liabilities	3,261	213	783	2,265
Trade and other payables (non–interest)	12,930	12,930	–	–
	72,834	54,531	13,042	5,261

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 on the next page.

21. FINANCIAL INSTRUMENTS CONTINUED

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. 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 £22,691,000 (2018: £30,329,000).

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. Customers' 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 £301,000 (2018: £277,000).

The Group exposure to credit risk on its 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 2019 and 2018 the Bisichi Group did not hedge its exposure of foreign investments held in foreign currencies.

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 2019, 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 £176,000 (2018: £130,000). 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 £294,000 (2018: £216,000).

The 25% sensitivity has been determined based on the average historic volatility of the exchange rate for 2018 and 2019.

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

	2019 £'000	2018 £'000
Sterling	**4,741**	6,897
South African Rand	**1,672**	2,322
US Dollar	**1,307**	2
	7,720	9,221

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:

2019:	**UK £'000**	**SOUTH AFRICA £'000**
Sterling	**1,151**	-
South African Rand	**40**	(3,510)
US Dollar	**1,582**	-
	2,773	(3,510)

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

Borrowing facilities

At 31 December 2019 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, 18 and 19.

21. FINANCIAL INSTRUMENTS CONTINUED

Interest rate and hedge profile

	2019 £'000	2018 £'000
Fixed rate borrowings	**13,561**	20,224
Floating rate borrowings		
– Subject to interest rate swap	**14,773**	18,685
– Other borrowings	**12,849**	18,048
	41,183	56,957
Average fixed interest rate	**7.82%**	8.39%
Weighted average swapped interest rate	**6.63%**	4.16%
Weighted average cost of debt on overdrafts, bank loans and debentures	**7.06%**	5.92%
Average period for which borrowing rate is fixed	**2.1 years**	2.1 years
Average period for which borrowing rate is swapped	**2.6 years**	0.6 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 2019 the Group had a £14 million floating rate loan to September 2022, where LIBOR has a minimum and maximum rate of 1.0% and 1.5%, respectively.

The Group's hedges for £21.489 million expired in July 2019 and the bank loans which they covered were repaid in September 2019.

At the year end the fair value liability in the accounts was £nil (2018: £169,000), as valued by the hedge provider.

At 31 December 2019, Dragon had an interest rate hedge 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 (2018: £nil), as valued by the hedge provider.

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	2019 GAIN/(LOSS) TO INCOME STATEMENT £'000
Financial assets					
Quoted equities – non-current assets	**287**	**–**	**–**	**287**	**(3)**
Quoted equities – current assets	**1,119**	**–**	**–**	**1,119**	**(2)**
Financial liabilities					
Interest rate swaps	**–**	**–**	**–**	**–**	**169**

	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000	2018 GAIN/(LOSS) TO INCOME STATEMENT £'000
Financial assets					
Quoted equities – non-current assets	35	–	–	–	–
Quoted equities – current assets	887	–	–	887	-
Interest rate swaps	–	–	–	–	(1)
Financial liabilities					
Interest rate swaps	–	169	–	169	266

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.

21. FINANCIAL INSTRUMENTS CONTINUED

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:

	2019 £'000	2018 £'000
Total debt	**45,449**	59,904
Less cash and cash equivalents	**(13,533)**	(20,655)
Net debt	**31,916**	39,249
Total equity	**49,133**	55,686
	65.0%	70.5%

The Group does not have any externally imposed capital requirements.

Following the introduction of IFRS 16 total debt now includes lease liabilities.

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.

	2019 £'000	2018 £'000
Cash at bank and in hand	**13,533**	20,655

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

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

	2019 £'000	2018 £'000
Bank loans and overdrafts:		
Repayable on demand or within one year	**10,120**	41,388
Repayable between two and five years	**18,269**	2,320
Repayable after five years	**2,838**	2,996
	31,227	46,704
Debentures:		
Repayable between two and five years	**9,956**	9,939
	41,183	56,643

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

22. DEFERRED TAX LIABILITIES

	2019 £'000	2018 £'000
Balance at 1 January	**2,305**	3,848
Transferred (to)/from consolidated income statement	**(631)**	(1,375)
Exchange adjustment	**(20)**	(168)
Balance at 31 December	**1,654**	2,305
The deferred tax balance comprises the following:		
Revaluation of properties	**314**	726
Accelerated capital allowances	**2,810**	2,166
Short-term timing differences	**(532)**	139
Unredeemed capital deductions	**–**	(32)
Losses and other deductions	**(938)**	(694)
Deferred tax liability provision at end of year:	**1,654**	2,305

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 £7,339,000 (2018: £6,310,000), 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 2019	NUMBER OF ORDINARY 10P SHARES 2018	**2019 £'000**	2018 £'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)**	(218,197)	**(22)**	(22)
"Issued share capital" for reporting purposes	**85,324,514**	85,324,514	**8,532**	8,532

Treasury shares

	NUMBER OF ORDINARY 10P SHARES		**COST /ISSUE VALUE**	
	2019	2018	**2019 £'000**	2018 £'000
Shares held in Treasury at 1 January	**218,197**	221,061	**144**	145
Issued for share incentive plan - dividends investment (June 2018 - 30p)	**–**	(1,271)	**–**	–
Issued for share incentive plan - dividends investment (Dec 2018 - 26p)	**–**	(1,593)	**–**	(1)
Shares held in Treasury at 31 December	**218,197**	218,197	**144**	144

Share Option Schemes

Employees' share option scheme (Approved scheme)

At 31 December 2019 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 2019 is as follows:

		CHANGES DURING THE YEAR			
	AT 1 JANUARY 2019	OPTIONS EXERCISED	OPTIONS GRANTED	OPTIONS LAPSED	**AT 31 DECEMBER 2019**
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 2019 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 2019 is as follows:

		CHANGES DURING THE YEAR			
	AT 1 JANUARY 2019	OPTIONS EXERCISED	OPTIONS GRANTED	OPTIONS LAPSED	**AT 31 DECEMBER 2019**
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**

23. SHARE CAPITAL CONTINUED

The Bisichi 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 2018	NUMBER OF SHARE OPTIONS ISSUED/EXERCISED/ (CANCELLED) DURING YEAR	**NUMBER OF SHARES FOR WHICH OPTIONS OUTSTANDING AT 31 DECEMBER 2019**
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.

There are no performance or service conditions attached to 2015 and 2018 options which are outstanding at 31 December 2019.

	2019 NUMBER	**2019 WEIGHTED AVERAGE EXERCISE PRICE**	2018 NUMBER	2018 WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at 1 January	**680,000**	**79.5p**	380,000	111.3p
Issued during year	**–**	**–**	380,000	73.5p
Lapsed/surrended during year	**–**	**–**	(80,000)	205.5p
Outstanding at 31 December	**680,000**	**79.5p**	680,000	79.5p
Exercisable at 31 December	**680,000**	**79.5p**	680,000	79.5p

24. NON–CONTROLLING INTEREST (“NCI”)

	2019 £’000	2018 £’000
As at 1 January	**12,309**	10,856
Share of profit for the year	**986**	2,675
Dividends received	**(858)**	(957)
Shares issued	**–**	8
Exchange movement	**(30)**	(273)
As at 31 December	**12,407**	12,309

The following subsidiaries had material NCI:

Bisichi 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 PLC	**2019 £’000**	2018 £’000
Revenue	**48,274**	49,945
Profit for the year attributable to owners of the parent	**1,046**	3,314
Profit/(loss) for the year attributable to NCI	**549**	729
Profit for the year	**1,595**	4,043
Other comprehensive income attributable to owners of the parent	**(42)**	(377)
Other comprehensive income attributable to NCI	**(7)**	(53)
Other comprehensive income for the year	**(49)**	(430)
Balance sheet		
Non–current assets	**22,885**	23,118
Current assets	**18,849**	18,475
Total assets	**41,734**	41,593
Current liabilities	**(13,179)**	(16,929)
Non–current liabilities	**(7,998)**	(4,529)
Total liabilities	**(21,177)**	(21,458)
Net current assets at 31 December	**20,557**	20,135
Cash flows		
From operating activities	**4,305**	4,767
From investing activities	**(3,730)**	(3,373)
From financing activities	**(3,411)**	200
Net cash flows	**(2,836)**	1,594

The non–controlling interest comprises of 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")	2019 £'000	2018 £'000
Revenue	**46,706**	48,666
Expenses	**(43,040)**	(43,801)
Profit for the year	**3,666**	4,865
Total comprehensive income for the year	**3,666**	4,865
Non–current assets	**9,480**	8,532
Current assets	**10,462**	9,587
Current liabilities	**(12,087)**	(10,540)
Non–current liabilities	**(3,682)**	(3,800)
Net assets at 31 December	**4,173**	3,779

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 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 RECHARGED 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)	(17)	(ii)	(7)	–
C A Parritt	(18)	(ii)	–	–
R Priest	(35)	(ii)	(9)	–
Totals at 31 December 2019	**(115)**		**(715)**	**–**
Totals at 31 December 2018	(115)		(707)	–

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 (2018: £300,000).

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 (2018: £10,000) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust.

25. RELATED PARTY TRANSACTIONS CONTINUED

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 was made by Bisichi to one of the Bisichi directors, Mr A R Heller, for £116,000. Interest is payable on the Director's Loan at a rate of 6.14 per cent. There is no fixed repayment date for the Director's Loan. The loan amount outstanding at year end was £41,000 (2018: £41,000) and no repayment (2018: £15,000) was made during the year.

The directors are considered to be the only key management personnel and their remuneration including employer's national insurance for the year was £1,464,000 (2018: £1,838,000). 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:

	2019	2018
Production	**204**	231
Administration	**44**	46
	248	277

Staff costs during the year were as follows:

	2019 £'000	2018 £'000
Salaries and other costs	**8,741**	8,994
Social security costs	**386**	494
Pension costs	**487**	377
Share based payments	**–**	24
	9,614	9,889

27. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Commitments for capital expenditure approved and contracted at the year end	**–**	751

All the above relates to Bisichi PLC.

28. LEASE RENTALS RECEIVABLE

The Group leases out its investment properties to tenants giving them the right to occupation and use of the properties in exchange for rental payments. The future aggregate minimum rentals receivable under non–cancellable leases are as follows:

	2019 £'000	2018 £'000
2020	**4,997**	5,379
2021	**4,247**	4,847
2022	**3,583**	4,070
2023	**2,854**	3,493
2024 +	**18,327**	23,123
	34,008	40,912

29. CONTINGENT LIABILITIES AND EVENTS AFTER THE REPORTING PERIOD

There were no contingent liabilities at 31 December 2019 (2018: £Nil), except as disclosed in Note 21.

COVID-19 and the subsequent lockdown of many of our tenants' businesses will have had a short and medium term effect on asset values as tenants' ability to meet their obligations to landlords has been affected in some cases. In the longer term asset values may be affected if there is a more permanent deterioration in our tenants' trading due to a wider slowdown in the economy. The Directors are unable to give guidance on how this might affect asset values due to the level of uncertainty at this time. This is discussed further in the COVID-19 update in the Strategic Report on page 8 and in the Going Concern section of the Group Accounting Policies on page 42.

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:

	2019 £'000	2018 £'000
Rail siding & transportation	**54**	54
Rehabilitation of mining land	**1,553**	1,259
Water & electricity	**52**	52
	1,659	1,365

29. CONTINGENT LIABILITIES AND EVENTS AFTER THE REPORTING PERIOD CONTINUED

The interpretation of laws and regulations in South Africa where Bisichi operates can be complex and can lead to challenges from or disputes with regulatory authorities. Such situations often take significant time to resolve. Where there is a dispute and where a reliable estimate of the potential liability cannot be made, or where Bisichi, based on legal advice, considers that it is improbable that there will be an outflow of economic resources, no provision is recognised.

Black Wattle Colliery (Pty) Ltd is currently involved in a tax dispute in South Africa related to VAT. The dispute arose subsequent to the year end and is related to events which occurred during and prior to the years ended 31 December 2019. As at 5 June 2020, Bisichi has been advised that it has a strong legal case, that it has complied fully with the legislation and, therefore, no economic outflow is expected to occur. Because of the nature and complexity of the dispute, the possible financial effect of a negative decision cannot be measured reliably. Accordingly, no provision has been booked at the year end. At this stage, Bisichi believes that the dispute will be resolved in its favour.

30. COMPANY FINANCIAL STATEMENTS

Company balance sheet at 31 December 2019

	NOTES	**2019 £'000**	2018 £'000
Fixed assets			
Tangible assets	30.3	**23,341**	23,872
Other investments:			
Associated company – Bisichi Mining PLC	30.4	**489**	489
Subsidiaries and others including Dragon Retail Properties Limited	30.4	**47,922**	42,598
		48,411	43,087
		71,752	66,959
Current assets			
Debtors	30.5	**5,848**	3,764
Bank balances		**2,359**	9,887
		8,207	13,651
Creditors			
Amounts falling due within one year	30.6	**(44,043)**	(54,731)
Deferred tax falling due after more than one year		**(345)**	(744)
Net current liabilities		**(36,181)**	(41,823)
Total assets less current liabilities		**35,571**	25,136
Creditors			
Amounts falling due after more than one year	30.7	**(11,604)**	(10,918)
Net assets		**23,967**	14,217
Capital and reserves			
Share capital	30.9	**8,554**	8,554
Share premium account		**4,866**	4,866
Capital redemption reserve		**47**	47
Treasury shares	30.9	**(144)**	(144)
Retained earnings		**10,644**	894
Shareholders' funds		**23,967**	14,217

The profit for the financial year, before dividends was £9,904,000 (2018: loss of £6,805,000)

These financial statements were approved by the board of directors and authorised for issue on 29 June 2020 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 2019

	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 2018	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)
Transactions 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
Profit for the year	–	–	–	–	9,904	9,904
Total comprehensive income	–	–	–	–	9,904	9,904
Transaction with owners:						
Dividends – equity holders	–	–	–	–	(154)	(154)
Transactions with owners	–	–	–	–	(154)	(154)
Balance at 31 December 2019	**8,554**	**4,866**	**47**	**(144)**	**10,644**	**23,967**

£11.3 million (2018: £0.2 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 the 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 42 to 48 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 profit of £11,665,000 (2018: loss of £6,805,000). 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	OFFICE BUILDING £'000
Cost or valuation at 1 January 2019	24,112	13,970	9,540	256	346	–
IFRS 16 transition adjustment - right of use asset	1,054	–	–	–	–	1,054
Additions in the year	63	62	–	–	1	–
(Decrease)/increase in present value of head leases	(1)	–	(1)	–	–	–
(Decrease)/increase on revaluation	(1,432)	(382)	(1,000)	(50)	–	–
Cost or valuation at 31 December 2019	**23,796**	**13,650**	**8,539**	**206**	**347**	**1,054**
Representing assets stated at:						
Valuation	22,395	13,650	8,539	206	–	–
Cost	1,401	–	–	–	347	1,054
	23,796	**13,650**	**8,539**	**206**	**347**	**1,054**
Depreciation at 1 January 2019	240	–	–	–	240	–
Charge for the year	215	–	–	–	4	211
Disposals	–	–	–	–	–	–
Depreciation at 31 December 2019	**455**	**–**	**–**	**–**	**244**	**211**
Net book value at 1 January 2019	23,872	13,970	9,540	256	106	–
Net book value at 31 December 2019	**23,341**	**13,650**	**8,539**	**206**	**103**	**843**

The freehold and leasehold properties, excluding the present value of head leases and directors' valuations, were valued as at 31 December 2019 by professional firms of chartered surveyors. The valuations were made at fair value. The directors' property valuations were made at fair value.

	2019 £'000	2018 £'000
Allsop LLP	**20,050**	21,120
Directors' valuation	**1,300**	1,600
	21,350	22,720
Add: Present value of headleases	**1,045**	1,046
	22,395	23,766

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 2019	10,228	9,333	785
Additions	62	–	–
Cost at 31 December 2019	**10,290**	**9,333**	**785**

Head leases on investment property represent the value attributed to the right of the Company to occupy and use investment property that has a head lease interest. In the current year total cash outflow for head leases is £0.1 million (2018: £0.1 million). A number of these leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to fixed rents.

Office building represents the value attributed under IFRS 16 to the right of the Company to occupy its sole office building. In the current year total cash outflow for the office lease liability is £0.2 million.

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 2019	43,087	42,434	164	489
Additions	8,533	8,533	–	–
Impairment provision	(3,209)	(3,209)	–	–
At 31 December 2019	**48,411**	**47,758**	**164**	**489**

Subsidiary companies

Details of the Company's subsidiaries are set out in Note 11. Under IFRS 10 Bisichi 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.

During the year the Company impaired its investment in the subsidiary undertaking that held the Group's interest in HRGT Shopping Centres LP by £1,448,000. Disclosure of the impairment recognised in the consolidated financial statements is included in Note 14. Other than this impairment, in the opinion of the directors the value of the investment in subsidiaries is not less than the amount shown in these financial statements.

During the year the Company impaired its investment in Orchard Square Limited by £1,761,000, following a reduction in the carrying value of the Orchard Square, Sheffield property.

30.5. DEBTORS

	2019 £'000	2018 £'000
Trade debtors	**352**	351
Amounts due from associate and joint ventures	**872**	755
Amounts due from subsidiary companies	**4,049**	2,127
Other debtors	**139**	82
Prepayments and accrued income	**436**	449
	5,848	3,764

30.6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Amounts owed to subsidiary companies	**40,223**	50,874
Amounts owed to joint ventures	**156**	156
Other taxation and social security costs	**267**	200
Lease liabilities	**258**	66
Other creditors	**1,393**	1,442
Accruals and deferred income	**1,746**	1,993
	44,043	54,731

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

	2019 £'000	2018 £'000
Present value of head leases on properties	**979**	979
Lease liabilities	**669**	–
Term Debenture stocks:		
£10 million First Mortgage Debenture Stock 2022 at 8.109 per cent net of un-amortised issue costs	**9,956**	9,939
	11,604	10,918

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

REPAYMENT OF BORROWINGS:	2019 £'000	2018 £'000
Debentures:		
Repayable within one year	**–**	–
Repayable between two and five years	**9,956**	9,939
Repayable in more than five years	**–**	–
	9,956	9,939

LEASE LIABILITIES:	2019 TOTAL £'000	HEAD LEASES ON INVESTMENT PROPERTY[1] £'000	OFFICE[2] £'000	2018 TOTAL £'000
Minimum lease payments fall due:				
Within one year	**306**	66	240	66
Second to fifth year	**986**	266	720	266
After five years	**8,000**	8,000	–	8,066
	9,292	8,332	960	8,398
Future finance charges on lease liabilities	**(7,386)**	(7,287)	(99)	(7,352)
Present value of lease liabilities	**1,906**	1,045	861	1,046
Present value of lease liabilities:				
Within one year	**258**	66	192	66
Second to fifth year	**916**	247	669	247
After five years	**732**	732	–	733
	1,906	1,045	861	1,046

Lease liabilities falling due after more than one year are £669,000 for the office lease and £979,000 for head leases, totalling £1,648,000.

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

1 Many head leases on investment properties provide for contingent rent in addition to the rents above, usually a proportion of rental income.

2 On adoption of IFRS 16 Leases (see note 1 for details), at 1 January 2019 a right-of-use asset (being the property occupied by the Company) was recognised at a value of of £1,054,000, equal to the lease liability. The value is presented within property, plant and equipment on the balance sheet. The related lease liability of £1,054,000 is recognised as the present value of the lease payments.

30.8. DEFERRED TAX LIABILITY

	2019 £'000	2018 £'000
Deferred Taxation		
Balance at 1 January	**(744)**	2,059
Transfer to profit and loss account	**399**	(2,803)
Balance at 31 December	**(345)**	(744)
The deferred tax balance comprises the following:		
Accelerated capital allowances	**(391)**	(795)
Short–term timing differences	**(181)**	(124)
Revaluation of investment properties	**227**	175
Deferred tax liability at year end	**(345)**	(744)

30.9. SHARE CAPITAL

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

30.10. RELATED PARTY TRANSACTIONS

	COST RECHARGED 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	44	(i)	(156)	–
Bisichi Mining PLC				
Current account	200	(ii)	33	–
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)	(17)	(iii)	(7)	–
C A Parritt	(18)	(iii)	–	–
R Priest	(35)	(iii)	(9)	–
Totals at 31 December 2019	**129**		**(838)**	**–**
Totals at 31 December 2018	(29)		(860)	2,000

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 PLC.

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

Details of other related party transactions are given in note 25.

30.11. EMPLOYEES

THE AVERAGE WEEKLY NUMBER OF EMPLOYEES OF THE COMPANY DURING THE YEAR WERE AS FOLLOWS:	2019	2018
Directors & Administration	22	24

STAFF COSTS DURING THE YEAR WERE AS FOLLOWS:	2019 £'000	2018 £'000
Salaries	**1,490**	2,184
Social Security costs	**163**	263
Pension costs	**178**	107
	1,831	2,554

30.12. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2019 (2018: £Nil).

30.13. 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:

	2019 £'000	2018 £'000
2020	**1,524**	1,637
2021	**1,155**	1,442
2022	**896**	996
2023	**666**	807
2024 +	**1,680**	2,355
	5,921	7,237

30.14. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

There were no contingent liabilities at 31 December 2019 (2018: £Nil).

COVID-19 and the subsequent lockdown of many of our tenants' businesses will have had a short and medium term effect on asset values as tenants' ability to meet their obligations to landlords has been affected in some cases. In the longer term asset values may be affected if there is a more permanent deterioration in our tenants' trading due to a wider slowdown in the economy. The Directors are unable to give guidance on how this might affect asset values due to the level of uncertainty at this time.

Five year financial summary

	2019 £M	2018 £M	2017 £M	2016 £M	2015 £M
Portfolio size					
Investment properties–LAP^	**31**	32	62	89	89
Investment properties–joint ventures	**-**	–	–	–	19
Investment properties–Dragon Retail Properties	**2**	2	3	3	3
Investment properties–Bisichi ^	**12**	13	13	13	13
Assets held for sale-LAP	**-**	2	36	-	2
Inventories-LAP	**27**	39	-	-	-
	72	88	114	105	126
Portfolio activity	**£M**	£M	£M	£M	£M
Acquisitions	**0.14**	6.55	–	–	1.00
Disposals	**(12.59)**	(36.44)	–	–	(0.40)
Capital Expenditure	**0.41**	6.26	–	0.16	0.36
	0.14	(23.63)	–	0.16	0.96
Consolidated income statement	**£M**	£M	£M	£M	£M
Group income	**63.97**	56.65	47.87	31.81	34.61
Profit/(loss) before tax	**(4.54)**	1.27	11.28	(0.97)	(2.09)
Taxation	**(0.95)**	(0.68)	(2.98)	(1.18)	0.04
Profit/(loss) attributable to shareholders	**(6.48)**	(2.08)	7.69	(2.36)	(1.90)
(Loss)/earnings per share – basic and diluted	**(7.59)p**	(2.44)p	9.01p	(2.77)p	(2.24)p
Dividend per share	**0.00p**	0.18p	0.300p	0.165p	0.160p
Consolidated balance sheet	**£M**	£M	£M	£M	£M
Shareholders' funds attributable to equity shareholders	**36.73**	43.38	45.86	38.24	40.08
Net borrowings, excluding lease obligations	**27.65**	35.99	58.42	62.22	62.39
Net assets per share – basic	**43.04p**	50.83p	53.74p	44.83p	47.26p
– fully diluted	**43.04p**	50.83p	53.74p	44.83p	47.26p
Consolidated cash flow statement	**£M**	£M	£M	£M	£M
Cash generated from operations	**14.89**	1.92	10.29	5.59	4.37
Capital investment and financial investment	**(1.61)**	20.78	(1.80)	(0.18)	(2.77)

Notes:

^ Excluding the present value of head leases

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