

Annual Financial Report

LONDON & ASSOCIATED PROPERTIES PLC

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LONDON & ASSOCIATED PROPERTIES PLC “LAP”: ANNUAL RESULTS FOR 12 MONTHS TO 31 DECEMBER 2020

HIGHLIGHTS

- The successful repositioning and diversification of our portfolio meant that Group like-for-like rental income held up well at £5.8 million compared to £6.2 million (including units held for refurbishment)
- Low exposure to fashion-led retail has lessened impact of revaluations, with portfolio valued at £71.0 million against £74.8 million in 2019
- Occupancy levels stood at 92.2% at year-end (with 4.2% of the voids relating to units held for refurbishment) – marginally better than the previous year
- A comparatively high level of rent collection achieved during the period. To date 79% of all rents due in the four quarters to March 2021 have been collected
- No bonuses awarded, Chief Executive waived 35% of his salary and further reductions in overhead costs achieved
- At West Ealing planning consent secured for 56 flats and three ground floor retail units
- Bisichi PLC EBITDA loss of £2.4 million against profit of £5.9 million in 2019
- To conserve cash a final dividend is not being recommended

“The defensive quality of our portfolio and modest rental levels per unit have held us in good stead. The measures that we have taken to reduce costs and preserve cash will continue to benefit LAP and we therefore face the future with a certain level of confidence,” Sir Michael Heller, Chairman, and John Heller, Chief Executive.

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OVERVIEW

LAP at a glance

London & Associated Properties PLC (“LAP”) is a main market listed group which invests in industrial and retail property in the UK while also managing property assets. LAP owns £71.0 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 | IFRS net assets | Properties portfolio valuation* |
| 34.99p | £39.5m | £71.0m |
| 2019: 43.04p | 2019: £49.1m | 2019: £74.8m |
| | | *Includes investment properties, head leases assets held for sale and property inventory. Excludes properties under management. |

KEY PROJECTS

| | KEY PROJECTS | HIGHLIGHT |
|------------------------|---|--|
| Directly owned | <ul style="list-style-type: none"> • Orchard Square, Sheffield • Runcorn Manor Park Industrial Estate • West Ealing development • Kings Square, West Bromwich | <ul style="list-style-type: none"> • Repositioning of property focus continues at Orchard Square, Sheffield • Runcorn Industrial portfolio being actively managed for rental growth • Ealing development property achieved successful planning application. |
| Coal production | <ul style="list-style-type: none"> • In South Africa, Black Wattle produced 1.18m metric tonnes of Run of Mine Coal in 2020 (2019: 1.27m metric tonnes) | |

OVERVIEW

Chairman’s statement and Chief Executive’s review 2020

We are pleased to present the Chairman's and Chief Executive's review for 2020. Our first priority has remained the welfare of our staff and tenants. We are pleased to report that while some of our staff have been ill with COVID-19, all are now well again and available for work.

Clearly the 12 months to 31 December 2020 have been extremely challenging to the commercial real estate industry, especially for those in the retail sector. However, through a wide range of initiatives taken by LAP over the past two years the impact of COVID-19 on our business has not been as dramatic as many feared.

In the past few years, we have taken some key steps aimed at lessening LAP's focus on retailing in general and fashion-led shopping in particular. At the same time the Board has diversified the portfolio into industrial and residential property, reduced head office costs and cut gearing levels.

The net result of these actions is that rent collection over the year held up extremely well which, together with our diversification away from retail, meant our property portfolio suffered far less dramatic write-downs than has been witnessed elsewhere in the sector. We are also experiencing a lower rate of voids within our portfolio than might have been expected.

CONSOLIDATED RESULTS

The last 12 months have been as difficult for owners of retail property as at any time in living memory. Shopping centres, department stores and larger fashion-led shops have undergone such structural change that previously prime assets are being revalued at a fraction of their former worth. Our strategy has been to reduce our exposure to these types of assets and consequently our property portfolio has not suffered such severe write-downs. The portfolio was valued at the year end at £71.0 million (2019: £74.8 million). This relatively modest reduction should be seen in the context of the wider market, where write-downs have been much more dramatic.

On a like-for-like basis rental income has held up at £5.8 million compared to £6.2 million for 2019. We collected more than three-quarters of our rent roll over the year which we regard as an excellent achievement considering the climate. This is a pleasing metric which is also reflected in our occupancy levels, which were 92.2% at the year end (2019: 91.6%). Two units, both within our industrial property portfolio, are being refurbished and account for more than half of the 2020 voids.

Company overheads have been reduced dramatically during the period under review and now stand at £8.2 million compared to £10.1 million in 2019. This has been achieved through a number of initiatives, including a significant reduction in the head office count and associated expenses as we outsourced all of our property management in September 2019. We have, since the year end, outsourced our in-house asset management roles which will lead to further annualised savings of £0.2 million with no impairment to service or standards.

No head office staff (including the Directors) received a bonus during 2020, and the Chief Executive accepted only 65% of his salary to reflect the extremely difficult trading conditions.

DEBT MANAGEMENT

Although no loans were refinanced in 2020, LAP has carefully managed its relationships with lenders and no banking covenants were breached. In April and July 2020, at the start of the lockdown, LAP negotiated a waiver to one element of the income covenant on our loan with Phoenix CRE S.à.r.l which is secured against Orchard Square in Sheffield. This waiver was at zero cost to the company, save the legal fees of documenting it, and is no longer required.

This reflects a number of factors: LAP restricting the levels of gearing with which it is comfortable; relatively high levels of rent collection; and high levels of occupancy.

LAP PROPERTY ACTIVITIES

Orchard Square, Sheffield

During 2020 we continued to reposition this asset away from a traditional shopping centre towards an experiential location with a much greater emphasis on food and beverage. We completed the management agreement on a 4,000 sq ft former fashion unit to Market Asset Management, one of the UK's foremost operators of food halls. The unit is directly below the two new independent restaurants that took leases at the end of 2019 at Orchard Terrace and will complement their offering.

Enabling works are underway and will cost a total of £0.3 million. The unit will house six food stalls, two bars and event space. The new space is to be called Sheffield Plate and net income to LAP is projected at £0.1 million per annum. Interest in the units has been encouraging and works are expected to complete by June 2021.

During 2020, LAP worked closely with Sheffield Council to apply for Future High Street Funding for the city. The Council was successful and was awarded £16 million, of which £1.4 million is earmarked for works to Orchard Square. These works will include the creation of 8 flats at first and second floors, refurbishment of the Square and the introduction of large sails to weatherproof the Square. This will enable Sheffield Plate as well as our other tenants to take advantage of this exciting space in the centre of the UK's fifth largest city to host events and allow spill over of their customers.

LAP also carried out two lettings during lockdown with a combined rent of £0.1 million per annum and the Centre is now fully let with the exception of the units that are being redeveloped.

Manor Park, Runcorn

We successfully completed the refurbishment of Unit 10, the largest of our eight industrial units at 38,500 sq ft, towards the end of 2020. It was under offer for three months but the letting fell through at the beginning of 2021 as the proposed international tenant scaled back its investment in the UK. Ongoing interest in the unit remains strong and we are at an advanced stage of negotiation with a new potential tenant.

We took back a 15,000 sq ft unit at the end of 2020 which is about to be refurbished. Interest in this unit is also strong and we expect to have pre-let it before the end of the refurbishment.

The remainder of our industrial units are fully let.

West Ealing

We are pleased to report that Broadway Regen Ltd, our joint venture with Bisichi and Metroprop, obtained planning consent for 56 flats and three ground floor shops on this development site. We are also at an advanced stage of negotiating with a Registered Provider for the affordable element.

The joint venture will decide in the next few months whether to sell the consented land or build out the development, depending on market conditions.

Remainder of portfolio

Our remaining properties continue to operate at a high level of occupancy. This provides essential cash flow. However, we are always prepared to sell these assets where we are approached by special buyers to further our repositioning of the portfolio away from retail. We have agreed the sale of one property and we are in detailed negotiations on two others and we will update shareholders following any successful completions.

DRAGON RETAIL PROPERTIES

Dragon owns a property in Clifton, Bristol let partly to Boots the Chemist and partly to one of Bristol's longest standing and most well-known nightclubs. Rent collection has been difficult, particularly as Boots refused to pay notwithstanding its status as an essential retailer throughout the various lockdowns. However, agreement has now been reached and payments have resumed. The nightclub has not been allowed to trade at all since March 2020 yet has still managed to make some rental payments as the operator has received grants.

All of this has presented a difficult backdrop to find new funders to replace Santander, whose loan of £1.2 million expired in September 2020. We have negotiated an extension during which time the lending market will hopefully thaw to a level that allows us to refinance. This remains a quality asset with a very high level of income cover so we remain confident that a solution will be found.

BISICHI PLC

2020 has been a challenging year for Bisichi due to the impact of the Covid-19 pandemic on all its operations. As a result, for the year ended 31 December 2020, it made a loss before interest, tax, depreciation and amortisation (EBITDA) of £2.4 million (2019: profit: £5.9 million) and an operating loss before depreciation, fair value adjustments and exchange movements (Adjusted EBITDA) of £1.1 million (2019: profit: £7.4 million).

In terms of business continuity, Bisichi's South African coal mining and processing operations were designated as essential business operations by the South African Government, which allowed them to continue during lockdown periods. In turn, this allowed Black Wattle Colliery, the South African coal mining operation, to achieve consistent production during the year of 1.18 million metric tonnes of coal by comparison to 1.27 million metric tonnes achieved in 2019.

However, during the year the reduced global economic activity resulting from the Covid-19 pandemic had a significant impact on demand for coal in the international market. In January, the average weekly price of Free on Board (FOB) Coal from Richard Bay Coal Terminal (API4 price) peaked at US\$92. By mid-April, as global economic activity slowed, the weekly API4 price had fallen to US\$44. Thereafter, coal prices remained largely suppressed until the end of the year. The impact on Bisichi's operations was a build-up in coal stocks during the year and lower overall prices achieved for coal. The overall decrease in Group revenue, and the consequent financial performance during the year, can be attributed mainly to this downturn.

Looking forward into 2021, although the overall impact of the Covid-19 pandemic on its South African operations and the coal markets remains uncertain, to date there has been a significant improvement in coal markets arising from improvements in global economic activity. Bisichi's management will continue to focus on keeping costs low at the South African operations, in order to take the maximum financial performance advantage of the higher prices achievable for coal.

In the UK, the Covid-19 pandemic had a significant impact on rental revenue collections from the Group's UK retail property portfolio and property valuations. Although the overall impact of the pandemic on the portfolio remains uncertain, Bisichi expect much of the portfolio, including rental collections, to recover as lockdown is eased and tenants resume full operations.

In light of the uncertainty arising from COVID-19, Bisichi's Board decided that it would not be wise to propose a final dividend although they will review this when there is greater visibility of the ongoing impact of COVID-19.

OTHER MATTERS

In accordance with current legislation the Company has to change its present auditors. To meet the timetable, on behalf of the Board, the Audit Committee invited tenders from prospective audit firms. Following this process, the Board will propose to shareholders at the forthcoming AGM that Kreston Reeves LLP are appointed as auditors. The firm is based across London and the South East with 52 partners and received the 2020 'Large Firm of the Year' award at the Accounting Excellence Awards.

COVID-19 UPDATE

Certain of our retail tenants were forced to close for approaching half of the year under review, which has had a significantly detrimental impact on their businesses. However, we still collected 79% of contracted rents over the 12 month period to 31 March 2021, which we believe to be a strong result in the circumstances. This reflects the hard work of our managing agents, who have been in close contact with all tenants to ensure that either payment is made or that payment plans are in place, while making the tenants aware of all grants or other government assistance available to them. Total COVID-19 related arrears, including deferrals and payment plans, stand at £750,000 at the year end and we anticipate collecting at least 75% of this money over the next 24 months. COVID-19 concessions provided to tenants so far stand at £100,000. The response of tenants in these difficult and challenging conditions remains pleasing.

Inevitably, as we have agreed tenant payment plans our cash reserves have reduced and now stand at £7.2 million (2019: £13.5 million). This reduction also reflects capital expenditure on our properties of some £0.3 million in LAP and £3.2 million of plant and equipment capital expenditure in Bisichi.

We have, to date, suffered just one tenant (legally 2 separate companies) utilising an insolvency procedure and our exposure is limited to two shops with a combined rent roll of £75,000 per annum. The newly-formed buyers of these businesses have agreed new leases on both of the shops at rents within 10% of the historic level.

We continue to monitor all of our tenants, although the Government imposed moratorium on normal rent collection procedures makes pre-emptive action difficult. However, we have low void rates, we have continued to let shops throughout the year under review and we have limited exposure to mid-market fashion retailers. Our agents also report much improved tenant demand since the reopening of shops was announced.

SUMMARY

The last year has been particularly difficult for many owners with exposure to the retail property market. However, the defensive quality of our portfolio and modest rental levels per unit have held us in good stead. The measures that we have taken to reduce costs and preserve cash will continue to benefit LAP and we therefore face the future with a certain level of confidence.

Sir Michael Heller, **John Heller,**
Chairman Chief Executive

6 May 2021

STRATEGIC REPORT

Financial and performance review

The financial statements for 2020 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 overarching objectives in 2020 remain 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 2020, management's attention has been focused on supporting our tenants through the effects of rolling Covid lockdowns. Where tenants' income has been affected, we have engaged with them to restructure their payments to LAP, to match their future expected income.

A number of rent deferment agreements have been reached with tenants and £100,000 of rent has been forgiven in recognition of tenants' trading difficulties at this time.

In spite of the Government imposed moratorium on normal debt enforcement procedures, the business has received a significant proportion of rents due. Many of our tenants are owner managed businesses serving their local community. We do not have a significant exposure to large fashion led retailers who have been hardest hit by changing customer buying patterns. The below table outlines the proportion of rent receipts, by quarter billed, at the time of publication of this report. It should be noted that a number of tenants have entered into agreed monthly rent payments during lockdown, the debt recovery of March quarter cannot therefore be fully assessed until the end of June.

| Period | % Recovery |
|---------|------------|
| Q2 2020 | 92% |
| Q3 2020 | 91% |
| Q4 2020 | 78% |
| Q1 2021 | 53% |

There have been no sales or acquisitions of property during the year. 2020 has been a time for the protection of cash reserves to enable us to manage potential worst-case outcomes of Covid on the business. Therefore LAP has not actively sought to acquire new property and has delayed substantial development expenditure. Whilst discussions are ongoing with buyers about acquiring elements of our retail portfolio, to enable our ongoing diversification, none of these were completed during 2020.

LAP has not required any additional funding from lenders or shareholders to meet the challenges presented by Covid.

LAP's earliest debt repayment event is in August 2022 and no refinancing activities have taken place during 2020, with all loans and debentures remaining in place throughout the year.

In the three to six months following the announcement of the first Covid lockdown, and the uncertainty this brought, LAP experienced a reduction in tenant rent receipts as businesses came to terms with the commercial impact that restrictions would bring.

Even with the effects of Covid on rent recoveries, LAP has met all of its debt covenants during 2020 and to date other than the income covenant on the £14 million term loan with Phoenix CRE S.à.r.l in April and July 2020. Working with the lender and major tenants, the business secured waivers to the affected covenants with all obligations of the loan being met in full.

During 2020 LAP finalised its property management outsourcing arrangements, further reducing overheads.

Development of the largest asset, Orchard Square, Sheffield, reported previously, has been slowed by Covid restrictions, with the opening of a new street food hub being put back to early summer 2021.

This is part of the business' development activities to refocus the use of the property, reflecting the changing ways in which the public interacts with the city centre, to prepare the property for sale.

A new development proposal for eight first and second floor apartments at Orchard Square, Sheffield, in space previously used for property management activities and not rent producing, received planning permission in 2020 and has also been allocated capital funding through central government grants to Sheffield council.

Grants have also been allocated for enhancing the central square at the property.

As the business moves into 2021, its key objectives remain consistent.

LAP 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

| BUSINESS ANALYSIS | 2020 | 2019 |
|---|----------------|--------------|
| | £'000 | £'000 |
| Rental income | 4,377 | 4,813 |
| Service charge income | 795 | 628 |
| Proceeds from sale of trading properties | - | 9,500 |
| Management income from third party properties | 18 | 607 |
| LAP Revenue | 5,190 | 15,548 |
| Direct property costs | (2,192) | (1,823) |
| Impairment of inventory | (2,300) | (1,750) |
| Costs of sale of trading properties | - | (10,491) |
| Overheads | (2,317) | (3,230) |
| Depreciation | (258) | (215) |
| Operating loss | (1,877) | (1,961) |
| Finance income | 5 | 58 |
| Finance expenses | (2,200) | (2,552) |
| Result before valuation movements | (4,072) | (4,455) |
| Other segment items | | |

| | | |
|--|----------------|----------------|
| Net decrease on revaluation of investment properties | (664) | (1,498) |
| Decrease in value of other investments | (20) | (1,749) |
| Adjustment to interest rate derivative | (200) | 169 |
| Revaluation and other movements | (884) | (3,078) |
| LAP loss for the year before taxation | (4,956) | (7,533) |

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 £436,000 year on year, with like for like rental income down by £258,000 (5.3%). Rental income remained consistent year on year for most properties in the portfolio. The decrease in like for like rental income arose for two main reasons:

- A vacancy at a large industrial unit, with an agreed letting falling through just prior to completion.
- An increase in provisions for doubtful debts this year, based on expected credit losses, in response to uncertainty around tenant debt recovery for debt that has accumulated during Covid lockdowns.

In July 2019, part of our development property in Sheffield was sold for £9.5 million. No further sales of development properties took place in 2020. The value of the Sheffield property, which is held as inventory, was reduced by £2.30 million at 31 December 2020 (2019: reduction of £1.75 million).

Management income from third parties has reduced significantly in 2020, following the cessation of services provided to the HRGT Shopping Centres portfolio which was sold in 2019. Overheads relating to the delivery of these services are no longer being incurred.

Net property costs after taking into account costs recovered through service charges have increased by £0.2 million to £1.4 million, mostly as a result of the reclassification of property management costs following the outsourcing of property management services.

These services were previously carried out in-house and disclosed as overhead costs.

Overheads have reduced by £0.9 million in the year to £2.3 million. Lower Directors' remuneration in LAP of £0.2 million, lower staff and associated office costs of £0.2 million due to outsourcing and lower legal and professional fees of £0.2 million due to a reduced level of property acquisitions and disposals accounted for the majority of this. The reduction in overheads also reflects the cost of services provided to the HRGT Shopping Centres portfolio.

Finance expenses have reduced by £0.4 million, due to the reduction of LAP's borrowings in September 2019, following the sale of part of the Orchard Square, Sheffield property.

Investment property revaluation decreases of £0.7 million include a decrease in retail property values of £1.9 million and an increase in industrial property values of £1.2 million. Retail property value reductions are driven by increased yields since 2019, with industrial property value changes being driven by reduced yields and improving rental values.

Excluding the impairment of trading properties and the loss on sale in 2019, the adjusted loss before valuation movements was £1.8 million (2019: £1.7 million). 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

| | 2020 | 2019 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Segment assets | | |
| - Non-current assets – property | 33,383 | 33,718 |
| - Non-current assets – property, plant & equipment | 797 | 946 |
| Trading assets | 25,013 | 26,915 |
| - Cash & cash equivalents | 3,413 | 5,709 |
| - Current assets – others | 978 | 686 |
| Total assets excluding investment in joint ventures, assets held for sale and trading | 63,584 | 67,974 |
| Segment liabilities | | |
| Borrowings | (30,889) | (30,764) |
| Current liabilities | (5,898) | (5,750) |
| Non-current liabilities | (3,526) | (3,156) |
| Total liabilities | (40,313) | (39,670) |
| Net assets | 23,271 | 28,304 |

Note: The figures exclude inter-company transactions.

The reduction in non-current property assets arises from a £0.66 million investment property revaluation deficit (2019: deficit £1.5 million) and property improvements of £0.33 million (2019: £nil).

The reduction in property, plant and equipment relates to the net reduction in value of the rented head office building occupied by the Company. The lease comes to an end in 2023 at which point the asset will be fully depreciated. The present value of future rentals of £0.73 million is included within liabilities.

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.

Borrowings have remained consistent year on year, with the same facilities in place at the end of the year as were in place at the start of the year. The slight increase in borrowings is brought about by the amortization of loan costs.

LAP's main borrowings consist of a £13.6 million term loan facility expiring in September 2022, a debenture of £10 million repayable in August 2022 a £3.6 million term loan facility expiring in 2028 and a rolling development loan relating to West Ealing of £3.7 million expiring in July 2021. As in previous years, all loans and debentures are secured on core property and are covenant compliant at the year end.

| | 2020 | 2019 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Gearing | | |
| Total borrowings | 30,889 | 30,764 |
| Less cash and cash equivalents | (3,413) | (5,709) |
| Net borrowings | 27,476 | 25,055 |
| Total Equity | 23,271 | 28,340 |

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 | 2020 | 2019 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Cash inflows from operating activities | 250 | 9,295 |
| Cash (outflows)/ inflows from investing activities | (300) | 2,471 |
| Cash outflows from financing activities | (2,246) | (17,402) |
| Net decrease in cash and cash equivalents | (2,296) | (5,636) |
| Cash and cash equivalents at 1 January | 5,709 | 11,345 |
| Cash and cash equivalents at 31 December | 3,413 | 5,709 |

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

Cash inflows from operating activities in 2019 include net sale proceeds of £9.3 million from the part sale of the Sheffield development property. There were no development sales in 2020. Excluding development sales, in 2019, net cash inflows from operating activities were £0.25 million (2019: outflows £0.1 million).

Investing activities include expenditure on property of £0.3 million. In 2019 investing activities included the sale of a property for £2.35 million.

No substantial sales or acquisitions were made in 2020.

Financing activities in 2020 largely related to interest payments for the servicing of debt, no significant new finance has been put in place this year. In 2019 there was a refinancing of a debt facility utilising proceeds of part of the sale of the Sheffield development property.

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 £7.06 million has been spent to date, West Ealing is disclosed within LAP in the segmental analysis in note 1 to the financial statements. There is a linked development loan of £4.03 million, described further in note 18. During the year planning permission was obtained for the creation of 56 new residential apartments and ground floor shops on the site.

Bisichi 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 2020 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's loss before tax was £4.9 million (2019: profit £3.0 million). The movement compared to the prior year can be attributed mainly to the operating loss before depreciation from mining activities of £1.8 million (2019: profit £6.4 million). due to lower prices achieved for coal, lower coal production and sales from Bisichi's South African operations and a weakening in the South African Rand to UK Sterling. This offset the lower operating costs achieved in 2020.

UK retail property investments were valued at the year end at £10.47 million (2019: £11.75 million). The property portfolio is actively managed by LAP and generated rental income of £0.9 million in the year (2019: £1.2 million).

Bisichi has a structured trade finance facility with Absa Bank Limited for R85 million held by Sisonke Coal Processing (Pty) Limited, a 100% subsidiary of Black Wattle Colliery (Pty) Limited. This facility comprises of an R85 million revolving facility to cover the working capital requirements of the group's South African operations. The facility is renewable annually at 25 January and is secured against inventory, debtors and cash that are held in the group's South African operations.

Bisichi holds a 5 year term facility of £3.9 million with Julian Hodge Bank Limited at an initial LTV of 40%, with the loan being secured against the company's UK retail property portfolio. The amount repayable on the loan at year end was £3.8 million. 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. 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 £10.47 million. No banking covenants were breached by the group during the year.

Bisichi's cash and cash equivalents decreased during the year by £4.1 million (2019: £2.86 million). After taking into account an exchange gain of £0.2 million (2019: £0.03 million) on the translation of the group's year end net balance of cash and cash equivalents that were held in South African Rands, the group's net balance of cash and cash equivalents (including bank overdrafts) at year end was a cash negative amount of £1.1 million (2019: cash positive of £2.8 million).

Bisichi has considerable financial resources available at short notice including cash and cash equivalents (excluding bank overdrafts) of £3.8 million (2019: £7.7 million) and listed investments of £2.6 million (2019: £1.4 million) as at year end. The above financial resources total £6.4 million (2019: £9.1 million).

Bisichi's net assets at 31st December 2020 were £14.9 million (2019: £19.2 million), with a loss after tax of £3.8 million and exchange losses of £0.5 million.

Bisichi continues to seek to expand its operations in South Africa through the acquisition of additional coal reserves. In the UK, Bisichi 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 mining operations with a dependable cash flow and capital appreciation from UK property investment operations.

DRAGON RETAIL PROPERTIES LIMITED

Dragon is a UK property investment company. The company has a Santander bank loan of £1.2 million secured against its investment property, see note 18. In November 2020 Dragon was not able to meet its historical income cover loan covenant, due to non-payment of rent by tenants. All payment obligations of the loan were met and all subsequent covenants have been compliant.

The loan expired in January 2021 and is currently being rolled over pending approval of an offer of extension from Santander.

It paid management fees of £72,000 (2019: £88,000) split equally between the two joint venture partners. Dragon has net assets of £1.3 million (2019: £1.6 million), following a £0.3 million reduction in the valuation of its main property asset. Otherwise, it continues to trade at near breakeven after tax.

ACCOUNTING JUDGEMENTS AND GOING CONCERN

The most significant judgements made in preparing these accounts relate to the carrying value of the properties and investments. 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's Statement and Chief Executive's Review and in this Report. Further disclosure of specific factors affecting going concern are discussed in more detail in the going concern section of the group accounting policies section 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 pages 13 to 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 and going concern 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.

Up to the date of this report LAP has received 53% of all rent in relation to the first quarter of 2021 and 79% of rent for last quarter of 2020 and continues to make progress on receiving historic arrears arising during covid restrictions, when some tenants were not trading. Understandings have been reached with a number of tenants who are paying monthly in arrears against quarterly billings, which means that recovery of the first quarters rent cannot be fully assessed until June. We expect to recover most of the excess arrears that have built up during this period which at 31 December 2020. amounted to about £750,000 excluding VAT. An appropriate provision, of £524,000, has been created to reflect our assessment of the credit risk.

LAP has unencumbered cash of £3.4 million at 31 December 2020, 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 or trading difficulties
- Additional costs to ensure our properties are safe for use

We are working with our tenants to enable them to pay their obligations to us when they are financially able. Many tenants have been and 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
- Coronavirus Recovery Loan
- Deferral of VAT payments

LAP has conducted a range of cashflow scenario tests 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. All current banking covenants are being met. The Directors see no impediment to LAP continuing to meet its obligations to lenders in the future.

LAP currently has £5.0 million of unencumbered properties, as valued at 31 December 2020.

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 subsided sufficiently.

- The Directors are not recommending a final dividend for the current financial year.
- A number of staff located at our properties have been furloughed during the year.
- VAT payments have been deferred in line with the amended rules
- All uncommitted development capital expenditure was suspended during 2020 and projects placed on hold. There was no material additional cost to the business of doing this. As Covid restrictions are lifted during 2021, we are cautiously restarting developments.
- We have actively reduced spending where possible following the cessation of trading at our properties.
- Material property acquisitions remain on hold.

The Directors have produced a cashflow forecast to June 2022, with varying scenarios examining the sensitivity of LAP's liquidity to the following variables:

- Duration of COVID-19's impact on the business
- Value of delayed receipts from tenants over that period
- Duration of delay in recovering rents from tenants
- Loss in cash receipts from tenants who never settle their lease obligations

- Volume of tenants going into insolvency or administration and the length of time expected to re-let the property
- Value and timing of recovery of tenant debt arising as a result of Covid restrictions.

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 2021 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:

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

The £10 million debenture and £3.9 million term loan were covenant compliant during 2020 and to date and are anticipated to remain compliant based on the scenario forecasting.

The £14 million term loan was compliant during 2020 other than in April and July 2020. Due to lower tenant receipts 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 would fund its subsidiary's obligations under the loan agreement and the bank waived its remedies under the agreement. The loan has been covenant compliant since July 2020 and the subsidiary has repaid the bulk of the bridging loan from LAP Group.

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

During this difficult period, 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 our 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 interests and the broader economic interests of South Africa.

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.

These measures include:

- Regular communications with employees on all guidelines, Government restrictions and best practice hygiene and health recommendations;
- Conducting various issue-based hazard identification and risk assessments;
- Temperature screening of those entering certain of our offices and sites;
- Working from home (in both the UK and South Africa), where possible or required;
- Social distancing measures at operating sites;
- Restrictions on non-essential visits to operating sites; and
- Intensified cleaning and hygiene at offices and sites;

In particular Bisichi has endeavoured to follow the guidelines of the 10-point plan developed by the Department of Minerals Resources and Energy in line with the guidelines of the Department of Health and the National Institute of Communicable Diseases (NICD) as follows:

- Educate employees on the virus, symptoms and prevention.
- Follow guidelines from the NICD, educate health workers on how to manage Covid-19. Consider alternate arrangements for supply of chronic medication to reduce crowds.
- Ensure that all health workers have access to protective clothing, gloves, masks, cleaning materials and pharmaceutical agents.
- Vaccinate employees for seasonal influenza.
- All employees are encouraged to know their status, get onto ARVs if positive for HIV.
- Manage suspected cases or contacts of cases using guidelines from the NICD.
- Liaise with the NICD on procedure to be followed for suspected and confirmed cases.
- Only essential travel to areas with Covid-19 should be undertaken.
- All suspected and confirmed cases in the mining industry should be reported to the NICD.
- Monitor and stay aware of the latest information on the Covid-19 pandemic.

Bisichi's South African coal mining and processing operations have been designated essential business operations as they fall within the supply chains of other essential businesses, as defined by the South African Government. Since late March 2020, Bisichi's South African operations have continued, although with a reduced or socially distanced workforce to safeguard the health and safety of employees.

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 £8.0 million (2019: £7.9 million). 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 2020 (2019: £nil).

The Group remains reasonably optimistic about our ability to weather the COVID-19 pandemic. We have strong relations with our tenants, many of whom are owner managed businesses, and we have maintained good rent collections during 2020.

Looking forwards to 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. Our development in Ealing has received planning consent and options for either building out the development or seeking to sell our shares in the joint venture are being considered currently.

We continue to progress the development of the Sheffield shopping centre. Planning permission has been granted for 8 apartments above ground floor level to be built in a space previously used for property management activities and not income producing. We are designing a development of the central square to enable year-round activities to further support all of the tenants at the property. Both of these developments have been allocated funding by the local council through the Future High Street Fund. The development of a new street food concept is underway for a planned summer 2021 opening.

STRATEGIC REPORT

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 2020 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. |

STRATEGIC REPORT

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. |

There has been no change in the risks faced by either LAP or Bisichi.

STRATEGIC REPORT

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 decreased by £258,000 (5.3%) (2019: increase of £13,000 and 0.3%), with a larger industrial unit in Runcorn being refurbished for let. 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 estimated rental value ("ERV") of the empty units as a percentage of our total income. | Void levels decreased to 7.85% (2019: 8.38%). As 4.2% of the voids are attributable to refurbishment activities, this is considered satisfactory. |
| 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 8.05 pence per share (18.7%) to 34.99p (2019: 43.04p). This is disappointing but the impact of Covid-19 has had a material and adverse impact on the business. |

STRATEGIC REPORT

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 2020:

- Black Wattle Colliery recorded one Lost Time Injury during 2020.
- No machines operating at Black Wattle exceeded the regulatory noise level.
- 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 2020 Financial Statements which are available on their web site: www.bisichi.co.uk

Greenhouse gas reporting

As a quoted organisation incorporated in the UK, we have reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 for the period 1st January 2020 to 31st December 2020.

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 for both landlord & tenant-controlled areas of LAP owned shopping centres and facilities.

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. An estimate of the emissions associated with the LAP offices on Bruton Place has been included in this year's calculations.

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 main requirements of the ISO14064-11 standard and HM Government Environmental Reporting Guidelines (2019) including streamlined energy and carbon reporting guidance. Emission factors were from the UK Government's GHG Conversion Factors for Company Reporting 2020.

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 emissions in tCO₂e per thousand pounds revenue.

Energy efficiency

Due to the impacts of the Covid-19 pandemic, LAP have not implemented any energy efficiency programs or specific measures during the 2020 year.

1 ISO14064-1:2018 - Greenhouse gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

Table 1. Landlord & tenant controlled areas

| | Emissions Source | 2020 | 2019 |
|---|--|------------------|-------------|
| Scope 1 emissions | Natural gas (tCO ₂ e) | 38 | 53 |
| | Refrigerants (tCO ₂ e) | 0 | 0 |
| Scope 2 emissions | Electricity (tCO ₂ e) | 1,523 | 1,354 |
| | Total tCO₂e | 1,561 | 1,407 |
| | Intensity ratio (tCO ₂ e/£thousand) | 0.299 | 0.296 |
| Energy Consumption used to calculate above emissions /KWh | | 6,737,030 | 5,649,144 |

Table 2. LAP controlled areas

| | Emissions Source | 2020 | 2019 |
|-------------------|-----------------------------------|-------------|-------------|
| Scope 1 emissions | Natural gas (tCO ₂ e) | 38 | 53 |
| | Refrigerants (tCO ₂ e) | 0 | 0 |
| Scope 2 emissions | Electricity (tCO ₂ e) | 64 | 104 |
| | Total tCO₂e | 1012 | 157 |

2 Totals differ due to rounding

Table 3. Tenant controlled areas

| | Emissions Source | 2020 | 2019 |
|-------------------|-----------------------------------|--------------|-------------|
| Scope 1 emissions | Natural gas (tCO ₂ e) | 0 | 0 |
| | Refrigerants (tCO ₂ e) | 0 | 0 |
| Scope 2 emissions | Electricity (tCO ₂ e) | 1,459 | 1,250 |
| | Total tCO₂e | 1,459 | 1,250 |

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 11 employees (6 male, 5 female).

BISICHI PLC

Bisichi PLC's Group at the year end had 9 directors (8 male, 1 female), 6 senior managers (5 male, 1 female) and 236 employees (163 male, 73 female).

Detailed information relating to the Bisichi Strategic Report is available in its 2020 financial statements.

Approved on behalf of the board of directors

Jonathan Mintz
Finance Director

6 May 2021

Table 4. Coal mining carbon footprint

| | 2020 | 2019 |
|--|-------------------|---------------|
| | CO2e | CO2e |
| | Tonnes | Tonnes |
| Emissions source: | | |
| Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use | 46,162 | 49,061 |
| Emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use (location based) | 12,482 | 13,153 |
| Total gross emissions | 58,644 | 62,213 |
| Intensity: | | |
| Intensity 1 Tonnes of CO2 per pound sterling of revenue | 0.0020 | 0.0013 |
| Intensity 2 Tonnes of CO2 per pound of coal produced | 0.0497 | 0.0486 |
| | kWh | kWh |
| Energy consumption used to calculate above emissions | 99,450,585 | N/A |
| Of which UK | 5,571 | N/A |

GOVERNANCE

Directors & advisors

EXECUTIVE DIRECTORS

Sir Michael Heller MA FCA*
(Chairman)

John A Heller LLB MBA
(Chief Executive)

Jonathan Mintz FCA
(Finance Director)

NON-EXECUTIVE DIRECTORS

Howard D Goldring BSC (ECON) ACA†

Howard Goldring is Executive Chairman of Alberon 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 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 Group
Shareholder Services
The Registry
10th Floor
Central Square
29 Wellington Street
Leeds

LS1 4DL

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(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.linkassetsservices.com
Email: enquiries@linkgroup.co.uk

Company registration number
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WEBSITE

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E-MAIL

admin@lap.co.uk

GOVERNANCE

Directors' report

The Directors submit their report and the audited financial statements for the year ended 31 December 2020.

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's Statement and Chief Executive's Review and the Strategic Report. These reports can be found on pages 2 to 14 and should be read in conjunction with this report.

Principal 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.
- **Developments** – the Group develops customer-focused spaces to generate returns and portfolio income growth above that available from standing investments alone.
- **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 2020 (2019: Nil per share).

The company's ordinary shares held in treasury

At 31 December 2020, 218,197 (2019: 218,197) ordinary shares were held in Treasury with a market value of £17,456 (2019: £47,349). At the Annual General Meeting (AGM) in July 2020 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 Tuesday 15 June 2021.

Treasury shares held at 1 January 2020 and at 31 December 2020

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 2020 by independent professional firms of chartered surveyors – Allsop LLP, London (74.2 per cent of the portfolio), Carter Towler, Leeds (24.1 per cent) – and by the Directors (1.7 per cent). The valuations, which are reflected in the financial statements, amount to £42.6 million (2019: £44.6 million).

Property of £25.0 million (2019: £26.9 million) 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 2020 resulted in a decrease of £2.3 million (2019: decrease of £3.0 million). The proportion of this revaluation attributable to the Group (net of taxation) is reflected in the consolidated income statement and the consolidated balance sheet.

Financial instruments

Note 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, J Mintz, H D Goldring, C A Parritt and R Priest were Directors of the company for the whole of 2020.

C A Parritt and J A Heller are retiring by rotation at the Annual General Meeting in 2021 and offer themselves for re-election.

Clive Parritt has been a director since January 2006 and has a contract of service determinable upon three months' notice and is the senior independent director and chairman of the audit, nomination and remuneration committees. He is a chartered accountant with over 40 years' experience in providing strategic, financial and commercial advice to business. His financial knowledge and broad commercial experience are of significant benefit to the business. The board has considered the re-appointment of Clive Parritt and recommends his re-election as a director.

John Heller has been a director since 1998 and was appointed chief executive in September 2001. He has a contract of employment determinable upon twelve months' notice. The board has considered the re-appointment of John Heller and recommends his re-election as a director.

Directors' interests

The interests of the Directors in the ordinary shares of the Company, including family and trustee holdings, where appropriate, can be found on page 25 in the Annual Remuneration Report. There has been no change to the Directors' interests in the ordinary shares of the Company in the year, or since the year end.

Substantial shareholdings

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|-------------|-------|-------------|-------|
| | no. | % | no. | % |
| Sir Michael Heller and family | 48,080,511 | 56.35 | 48,080,511 | 56.35 |
| Cavendish Asset Management Limited | 0 | 0 | 8,211,044 | 9.62 |
| James Hyslop | 4,886,258 | 5.73 | 4,886,258 | 5.73 |
| Maland Pension Fund | 3,515,472 | 4.12 | 3,323,383 | 3.89 |
| Stonehage Fleming Investment Management Ltd | 7,663,214 | 8.98 | 0 | 0 |

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.

GOVERNANCE Directors' report

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 2020 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 (2019: £Nil). No donations for charitable purposes were made during the year (2019: £2,250).

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 2020 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 also 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 Statement and Chief Executive's Review and in the Financial and Performance 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 Tuesday 15 June 2021 at 10.30 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 4 May 2021 (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 4 May 2021 (being the last practicable date prior to the publication of this Directors' Report).

The Directors' authority will expire on the earlier of 31 August 2022 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 acted as auditor throughout the year and will retire due to the regulatory rules regarding rotation. A proposal will be made at the Annual General Meeting for the appointment of a new auditor.

By order of the board

Jonathan Mintz
Secretary

For and on behalf of London & Associated Properties PLC

6 May 2021
24 Bruton Place
London
W1J 6NE

GOVERNANCE

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 29. 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 28. The Chief Executive and Finance Director are normally invited to attend.

Board and board committee meetings held in 2020

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

Meetings Meetings

| | | held | attended |
|--------------------|------------------------|-------------|-----------------|
| Sir Michael Heller | Board | 10 | 10 |
| | 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. Alberon Holdings Limited (Alberon) is a Company in which H D Goldring is the majority shareholder and the Executive Chairman. Alberon 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 2020. 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

Governance statement by the Chairman of the remuneration committee

The remuneration committee is pleased to present its report for the year ended 31 December 2020. The report is presented in two parts in accordance with the remuneration regulations.

The first part is the Annual Remuneration Report which details remuneration awarded to Directors and non-executive Directors during the year. The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution (as in previous years) at the AGM in June 2021.

The second part is the 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 July 2020. The approval will continue to apply for a 3 year period commencing from then. The committee reviewed the existing policy and deemed that no changes were necessary to the current arrangements.

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

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

C A Parritt

Chairman, Remuneration Committee

6 May 2021

GOVERNANCE

Annual remuneration report

The following information has been audited

Single total figure of remuneration for the year ended 31 December 2020

| | Salary and fees £'000 | BONUSES £'000 | BENEFITS £'000 | Long Term Incentive Awards £'000 | PENSIONS £'000 | Total 2020 £'000 | Total Fixed Remuneration £'000 | Total Variable Remuneration £'000 |
|--------------------------------|-----------------------------|------------------|-------------------|--|-------------------|------------------------|--------------------------------------|--|
| Executive Directors | | | | | | | | |
| Sir Michael Heller* | 7 | - | 62 | - | - | 69 | 69 | - |
| Sir Michael Heller - Bisichi | 83 | - | - | - | - | 83 | 83 | - |
| J A Heller | 348 | - | 40 | - | 30 | 418 | 418 | - |
| J Mintz | 160 | - | 4 | - | 15 | 179 | 179 | - |
| | 598 | - | 106 | - | 45 | 749 | 749 | - |
| Non-executive Directors | | | | | | | | |
| H D Goldring*+ | 18 | - | 11 | - | - | 29 | 29 | - |
| C A Parritt*+ | 37 | - | - | - | - | 37 | 37 | - |
| R Priest* | 35 | - | - | - | - | 35 | 35 | - |
| | 90 | - | 11 | - | - | 101 | 101 | - |
| Total | 688 | - | 117 | - | 45 | 850 | 850 | - |

J A Heller has an entitlement to an employer pension contribution of £30,000 for 2020 (2019: £72,000). He has elected for these not to be paid at this time.

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

| | Salary and fees £'000 | BONUSES £'000 | BENEFITS £'000 | Long Term Incentives Awards £'000 | PENSIONS £'000 | Total 2019 £'000 | Total Fixed Remuneration £'000 | Total Variable Remuneration £'000 |
|--------------------------------|-----------------------------|------------------|-------------------|---|-------------------|------------------------|--------------------------------------|---|
| Executive Directors | | | | | | | | |
| Sir Michael Heller* | 7 | - | 59 | - | - | 66 | 66 | - |
| Sir Michael Heller - Bisichi | 82 | 200 | - | - | - | 282 | 82 | 200 |
| J A Heller | 533 | - | 43 | - | 72 | 648 | 648 | - |
| J Mintz | 143 | 50 | - | - | 12 | 205 | 155 | 50 |
| | 765 | 250 | 102 | - | 84 | 1,201 | 951 | 250 |
| Non-executive Directors | | | | | | | | |
| H D Goldring*+ | 18 | - | 9 | - | - | 27 | 27 | - |
| C A Parritt*+ | 37 | - | - | - | - | 37 | 37 | - |
| R Priest* | 35 | - | - | - | - | 35 | 25 | - |
| | 90 | - | 9 | - | - | 99 | 99 | - |
| Total | 855 | 250 | 111 | - | 84 | 1,300 | 1,050 | 250 |

* Note 25 “Related party transactions”

+ Members of the remuneration committee for years ended 31 December 2019 and 31 December 2020. 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 (2019: £82,500) for services. He did not receive a bonus in 2020 (2019: £200,000).

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 (2019: £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 £11,132 (2019: £9,632) for services. This is included in the remuneration figures disclosed above.

The remuneration figures disclosed for H D Goldring include fees paid to his company, Alberon 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). One other director had benefits under money purchase schemes. Under his contract of employment he was entitled to a regular employer contribution (currently £30,000 a year) but has elected not to receive it. There are no final salary schemes in operation. No pension costs are incurred on behalf of non-executive Directors. There are no additional benefits payable to any Director in the event of early retirement.

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 in 2019 or 2020.
2. **Partnership shares:** No partnership shares were issued in 2019 or 2020.
3. **Matching shares:** The partnership share agreements for the year to 31 October 2020 provide for two matching shares to be awarded free of charge for each partnership share acquired. No partnership shares were acquired in 2020 (2019: 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 2020 amounted to £Nil (2019: £Nil).

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 2020.

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 2020 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 2020 (2019: none).

Payments for loss of office

No payments for loss of office were made in the year ended 31 December 2020 (2019: none).

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 20 | 1 Jan 20 | 31 Dec 20 | 1 Jan 20 |
| Sir Michael Heller | 5,749,341 | 5,749,341 | 19,277,931 | 19,277,931 |
| H D Goldring | 19,819 | 19,819 | - | - |
| J A Heller | 1,872,041 | 1,872,041 | †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.

There are no requirements or guidelines for any Director to own shares in the Company.

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 2020 was 8.0p (2019: 21.7p). During the year the share middle market price ranged between 21.7p and 8.0p.

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* % |
|------|------------|---|---|--|
| 2020 | J A Heller | 418 | 0% | n/a |
| 2019 | J A Heller | 648 | 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 |

*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.

In light of the current economic situation the Chief Executive did not draw £185,000 (35%) of his salary for the year.

Percentage change in Executive and non-executive director Remuneration (audited)

The table below shows the percentage change in remuneration of the Directors undertaking the role of Chief Executive Officer, Finance Director and Non-Executive Directors and the average of Company's colleagues in London & Associated Properties PLC on a full-time equivalent basis.

| Director | Base Salary % Change 2020 V 2019 | Benefits % Change 2020 V 2019 | Bonuses % Change 2020 V 2019 |
|-----------------------|----------------------------------|-------------------------------|------------------------------|
| Executive: | | | |
| Sir Michael Heller | 0% | 5% | -100% |
| J A Heller | -35% | -7% | 0% |
| J Mintz | 12% | N/A | -100% |
| Non-Executive: | | | |
| H D Goldring | 0% | 22% | 0% |
| C A Parritt | 0% | 0% | 0% |
| R Priest | 0% | 0% | 0% |
| Colleague pay | 6% | 1% | -100% |

Relative importance of spend on pay

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

| | | |
|-------------------------------|--------------|-------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| Employee Remuneration | 7,289 | 9,614 |
| Distributions to shareholders | 0 | 0 |

Statement of implementation of remuneration policy

The policy was approved at the AGM in July 2020 and was effective from 1 August 2020. 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. During the year there were no deviations from the procedure for the implementation of the remuneration policy as set out in the policy.

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 2020. No increases were awarded and no external advice was taken in reaching this decision. The Company did not engage any consultants to provide advice or services to materially assist the remuneration committee's considerations.

Shareholder voting

At the Annual General Meeting on 30 July 2020, there was an advisory vote on the resolution to approve the Remuneration Report, other than the part containing the remuneration policy.

In addition, on 30 July 2020, 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 (30 July 2020) | 80.74 | 19.26 | 0 |
| Resolution to approve the Remuneration Policy (30 July 2020) | 80.73 | 19.27 | 27,265 |

Although a number of shareholders voted against the approval of the remuneration report at the 2020 AGM, the Remuneration Committee and the Board believe that the current remuneration policy (approved by shareholders in 2020) 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.

GOVERNANCE

Remuneration policy summary

The remuneration policy summary below is an extract of the group's current remuneration policy on directors' remuneration (excluding Bisichi PLC), which was approved by a binding vote at the 2020 AGM. The approved policy took effect from 1 August 2020.

policy table

| Element | Purpose | Policy | Operation | Opportunity and performance conditions |
|----------------------------|---|--|--|---|
| 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 | 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 |
| Pension | To provide competitive retirement benefits | Company contribution offered at up to 10% of base salary as part of overall remuneration package | 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 |
| Benefits | To provide a competitive benefits package | Contractual benefits include: Car or car allowance Group health cover Death in service cover Permanent health insurance | 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 |
| 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 | 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 | 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 |

| | | | | |
|-----------------------------------|---|---|--|--|
| | | | Bonuses are generally offered in cash or shares | |
| Share options | To provide executive directors with a long-term interest in the company | Where it is necessary to attract, retain, motivate and reward the right individuals, the directors may establish new schemes to replace any expired schemes | 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. |
| 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 | 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 |

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 | 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 |
| 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 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.

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
- 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.

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

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

GOVERNANCE

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.

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;
- noted the revised procedures applied by the auditors following the FRC comments on the 2018 audit, concluded in March 2020;
- the chairman of the audit committee has also had separate meetings and discussions with the external audit partner; and
- conducted a tender process to identify a successor auditor to RSM UK Audit LLP.

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 £1.25 million in relation to the Group and £0.65 million in relation to the parent company and £0.3 million for the Bisichi group to be material.

External Auditor

The 2020 financial year is the final year in which RSM UK Audit LLP is able to act as auditor to London & Associated Properties PLC under the mandatory audit firm rotation rules. There is also a rotation requirement that audit partners rotate after five years. The audit partner, Geoff Wightwick, had completed five years' audits after the 2019 financial year audit. The audit committee, having regard to the FRC, FCA and PRA's Covid-19 Joint Statement of 26 March 2020, considered that his rotation and replacement with a new RSM UK Audit LLP partner for this final year's audit would not be in the best interests of audit quality during coronavirus and agreed that Mr Wightwick should serve an additional year. Additional safeguards were applied by the audit firm to ensure auditor independence was not compromised.

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.

In accordance with current legislation both London & Associated Properties PLC and Bisichi PLC have to change their current auditors. Proposals to appoint Kreston Reeves LLP will be put forward at the 2021 AGM of both companies.

C A Parritt

Chairman – Audit Committee

6 May 2021

GOVERNANCE

Directors' responsibilities statement

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.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and are additionally required under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The directors have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.
- d. for the company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- e. 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 Regulation.. 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 confirm 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 loss 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 in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOVERNANCE

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 2020 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 significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. For an explanation of how we evaluated management's assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting and our key observations arising in respect to that evaluation, please see the going concern key audit matter.

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

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

Summary of our audit approach

| | |
|--------------------------|--|
| Key audit matters | <p>Group</p> <ul style="list-style-type: none"> • Valuation of investment properties and inventory • Going concern and impact of COVID-19 <p>Parent Company</p> <ul style="list-style-type: none"> • None |
| Materiality | <p>Group</p> <ul style="list-style-type: none"> • Overall materiality: £1.25 million (2019: £1.50 million) |

- Performance materiality: £0.97 million (2019: £1.13 million)

Parent Company

- Overall materiality: £0.65 million (2019: £0.65 million)
- Performance materiality: £0.49 million (2019: £0.49 million)

Scope Our audit procedures covered 100% of revenue, net assets and 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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of investment properties and inventory

Key audit matter description The group owns freehold and leasehold investment property held at fair value and development property held as inventory and valued at the lower of cost and net realisable value. The majority of investment properties are valued by two firms of external independent valuers and these valuations have been adopted in the financial statements. One investment property is valued by an internal valuer. At 31 December 2020 the carrying value of investment property (excluding head leases) was £42.64 million (note 8). The carrying value of development property held as inventory at the same date was £25.01 million (note 12). The 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 value of these assets, particularly in light of the impact of Covid-19 on the real estate market, and the subjectivity and complexity of the valuation process which involves significant judgements and estimates, as disclosed on page 40 of the financial statements.

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 £0.75 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, including by comparison to publicly available market reports produced by independent third parties.

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 £17.95 million, assessing 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 made in the year.

Key observations The carrying values of the properties are consistent with the valuation reports provided for the investment properties. We noted that the independent auditor's expert considered the valuations were generally at the higher end of the range of expected valuations for those properties reviewed by them. We also noted that management's valuer had visited all the properties and has an in depth knowledge of the properties and the tenants which supports the assumptions made in their valuations. Properties held in inventory are carried at the lower of cost and net realisable value.

Going concern and impact of COVID-19

Key audit matter description Covid-19 was declared a global pandemic in the first quarter of the year and continues to have a significant and unprecedented impact on all sections of the global economy, and in particular the real estate sector. 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 going concern and the impact of Covid-19 on pages 18 and 39.

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 was then sensitised to enable management to assess the potential impact of non payment of rents by tenants under various scenarios. The audit work included:

- reviewing the board paper prepared on going concern
- comparing the prior period forecasts to the actual outturn for 2020;
- reviewing the base case forecasts in detail for the period to June 2022. We checked the mathematical accuracy of the model, and compared revenues and costs to the actual results for

2020, taking account of known and reasonably foreseeable changes;

- considering the reasonableness of assumptions made in the forecasts and the sensitivity analysis prepared by management;
- checking projected covenant compliance to the model under both the base case and management's worst case scenario, and against the loan agreements;
- applying further sensitivity analysis to management's model, which included a reduction in certain anticipated cash inflows in the forecast period;
- 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;
- reviewing the component auditor's assessment of going concern for Bisichi plc, and discussing it with them. We considered the impact of Bisichi plc's going concern status on the ability of the LAP group to continue operating as a going concern; 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.

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 | £1.25 million (2019: £1.50 million) | £0.65 million (2019: £0.65 million) |
| Basis for determining overall materiality | 3.2% of net assets | 3.3% 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. | |
| Performance materiality | £0.97 million (2019: £1.13 million) | £0.49 million (2019: £0.49 million) |
| Basis for determining performance materiality | 75% of overall materiality | 75% of overall materiality |
| Reporting of misstatements to the Audit Committee | Misstatements in excess of £63,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. | Misstatements in excess of £33,000 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 those are based in the UK with the other four based in South Africa.

The coverage achieved by our audit procedures was:

| | Number of components | Revenue | Net assets | Loss before tax |
|----------------------------------|----------------------|---------------|---------------|-----------------|
| Full scope audit | 28 | 99.5% | 99.6% | 99.0% |
| Specific audit procedures | 1 | 0.5% | 0.4% | 1.0% |
| Total | 29 | 100.0% | 100.0% | 100.0% |

Analytical procedures at group level were performed for the remaining two components.

Of the above, full scope audits for 8 components were undertaken by component auditors.

One component was considered significant as it contained material amounts of inventory, the recognition of which is a key audit matter for the group. This component was subject to specific audit procedures in respect of development properties.

Other information

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

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

We have nothing to report in this regard.

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 29, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industries and sectors, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

The most significant laws and regulations were determined as follows:

| LEGISLATION / REGULATION | ADDITIONAL AUDIT PROCEDURES PERFORMED BY THE GROUP AUDIT ENGAGEMENT TEAM AND COMPONENT AUDITORS INCLUDED: |
|--------------------------------------|--|
| IFRS, FRS 101 and Companies Act 2006 | Review of the financial statement disclosures and testing to supporting documentation; and completion of disclosure checklists to identify areas of non-compliance. |
| Tax compliance regulations | Inspection of advice received from external tax advisors. |
| Mining laws and regulations | Obtaining an understanding of the control environment in monitoring compliance with laws and regulations in Bisichi plc, which included consideration of the South African Mining Charter. |

The areas that we identified as being susceptible to material misstatement due to fraud were:

| RISK | Audit procedures performed by the audit engagement team and component auditors: |
|-----------------------------------|---|
| Revenue recognition in coal sales | Verification of the recognition point of coal sales compared to the revenue recognition policy, terms of contract and dispatch/delivery documents for items pre and post year end. |
| Management override of controls | Testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. |

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.fc.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 ending 31 December 1987 and subsequent financial periods.

The period of total uninterrupted consecutive appointments is 34 years, covering the years ended 31 December 1987 to 31 December 2020.

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

6 May 2021

financial statements

Consolidated income statement

for the year ended 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|-----------------|---------------|
| Group revenue | 1 | 35,018 | 63,966 |
| Operating costs | | (39,942) | (60,766) |
| Operating (loss)/profit | | (4,924) | 3,200 |
| Finance income | 4 | 30 | 86 |
| Finance expenses | 4 | (2,869) | (3,252) |
| Result before revaluation and other movements | | (7,763) | 34 |
| Non-cash changes in valuation of assets and liabilities and other movements | | | |
| Exchange gains | | 39 | – |
| Decrease in value of investment properties | 8 | (2,269) | (2,988) |
| Increase/(decrease) in value of trading investments | | 67 | (6) |
| Decrease in value of other investments | | (20) | (1,749) |
| Adjustment to interest rate derivative | 21 | (200) | 169 |
| Loss for the year before taxation | 2 | (10,146) | (4,540) |
| Income tax credit/(charge) | 5 | 1,086 | (951) |
| Loss for the year | | (9,060) | (5,491) |
| Attributable to: | | | |
| Equity holders of the Company | | (6,704) | (6,477) |
| Non-controlling interest | 24 | (2,356) | 986 |
| Loss for the year | | (9,060) | (5,491) |
| Earnings per share | | | |
| Loss per share - basic and diluted | 7 | (7.86)p | (7.59)p |

Consolidated statement of comprehensive income

for the year ended 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|---|----------------|---------------|
| Loss for the year | (9,060) | (5,491) |
| Other comprehensive expense: | | |
| Items that may be subsequently recycled to the income statement: | | |
| Exchange differences on translation of Bisichi PLC foreign operations | (464) | (49) |
| Other comprehensive expense for the year net of tax | (464) | (49) |
| Total comprehensive expense for the year net of tax | (9,524) | (5,540) |
| Attributable to: | | |
| Equity shareholders | (6,866) | (6,493) |
| Non-controlling interest | (2,658) | 953 |
| Total comprehensive expense for the year net of tax | (9,524) | (5,540) |

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Consolidated balance sheet

at 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|-------|-----------------|---------------|
| Non-current assets | | | |
| Market value of properties attributable to Group | 8 | 42,640 | 44,580 |
| Present value of head leases | 8 | 3,344 | 3,326 |
| Property | | 45,984 | 47,906 |
| Mining reserves, property, plant and equipment | 9 | 10,986 | 10,472 |
| Investments | 14 | 1,746 | 287 |
| | | 58,716 | 58,665 |
| Current assets | | | |
| Inventories - Property | 12 | 25,013 | 26,915 |
| Inventories - Mining | 13 | 3,445 | 2,432 |
| Trade and other receivables | 15 | 8,190 | 8,399 |
| Corporation tax recoverable | | – | 19 |
| Investments | 16 | 833 | 1,119 |
| Cash and cash equivalents | | 7,194 | 13,533 |
| | | 44,675 | 52,417 |
| Total assets | | 103,391 | 111,082 |
| Current liabilities | | | |
| Trade and other payables | 17 | (16,133) | (12,835) |
| Borrowings | 18 | (10,274) | (10,120) |
| Lease liabilities | 19 | (514) | (424) |
| Current tax liabilities | | (209) | (457) |
| | | (27,130) | (23,836) |
| Non-current liabilities | | | |
| Borrowings | 18 | (30,853) | (31,063) |
| Interest rate derivatives | 21 | (200) | – |
| Lease liabilities | 19 | (3,865) | (3,842) |
| Provisions | 20 | (1,442) | (1,554) |
| Deferred tax liabilities | 22 | (355) | (1,654) |
| | | (36,715) | (38,113) |
| Total liabilities | | (63,845) | (61,949) |
| Net assets | | 39,546 | 49,133 |
| 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) | | (1,030) | (868) |
| Capital redemption reserve | | 47 | 47 |
| Retained earnings (excluding treasury shares) | | 17,567 | 24,271 |
| Treasury shares | 23 | (144) | (144) |
| Retained earnings | | 17,423 | 24,127 |
| Total equity attributable to equity shareholders | | 29,860 | 36,726 |
| Non-controlling interest | 24 | 9,686 | 12,407 |
| Total equity | | 39,546 | 49,133 |
| Net assets per share | 7 | 34.99p | 43.04p |

These financial statements were approved by the board of directors and authorised for issue on 6 May 2021 and signed on its behalf by:

Sir Michael Heller
Director

Jonathan Mintz Company Registration No. 341829
Director

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Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2020

| Share capital £'000 | Share premium £'000 | Translation reserves £'000 | Capital redemption reserve £'000 | Treasury shares £'000 | Retained earnings excluding treasury | Total excluding Non-Controlling | Non-controlling Interests £'000 | Total equity £'000 |
|------------------------|------------------------|-------------------------------|-------------------------------------|--------------------------|---|---------------------------------|------------------------------------|-----------------------|
|------------------------|------------------------|-------------------------------|-------------------------------------|--------------------------|---|---------------------------------|------------------------------------|-----------------------|

| | | | | | | shares £'000 | Interests £'000 | | |
|--|-------|-------|---------|----|-------|-----------------|--------------------|---------|---------|
| Balance at 1 January 2019 | 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 expense: | | | | | | | | | |
| Currency translation | – | – | (16) | – | – | – | (16) | (33) | (49) |
| Total other comprehensive expense | – | – | (16) | – | – | – | (16) | (33) | (49) |
| Total comprehensive 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 |
| Loss for year | – | – | – | – | – | (6,704) | (6,704) | (2,356) | (9,060) |
| Other comprehensive expense: | | | | | | | | | |
| Currency translation | – | – | (162) | – | – | – | (162) | (302) | (464) |
| Total other comprehensive expense | – | – | (162) | – | – | – | (162) | (302) | (464) |
| Total comprehensive expense | – | – | (162) | – | – | (6,704) | (6,866) | (2,658) | (9,524) |
| Transactions with owners: | | | | | | | | | |
| Dividends – non-controlling interests | – | – | – | – | – | – | – | (63) | (63) |
| Transactions with owners | – | – | – | – | – | – | – | (63) | (63) |
| Balance at 31 December 2020 | 8,554 | 4,866 | (1,030) | 47 | (144) | 17,567 | 29,860 | 9,686 | 39,546 |

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Consolidated cash flow statement

for the year ended 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Operating activities | | |
| Loss for the year before taxation | (10,146) | (4,540) |
| Finance income | (30) | (86) |
| Finance expense | 2,869 | 3,252 |
| Decrease in value of investment properties | 2,269 | 2,988 |
| (Increase)/decrease in trading investments | (47) | 1,755 |
| Adjustment to interest rate derivative | 200 | (169) |
| Loss on sale of inventory - property | – | 991 |
| Depreciation | 2,455 | 2,407 |
| Development expenditure on inventories | (398) | (409) |
| Sale of inventory - property | – | 9,309 |
| Exchange adjustments | (39) | 123 |
| Change in inventories | 1,173 | 805 |
| Change in receivables | (380) | (448) |
| Change in payables | 3,717 | (994) |

| | | |
|--|----------------|----------|
| Cash generated from operations | 1,643 | 14,984 |
| Income tax paid | (198) | (1,199) |
| Cash inflows from operating activities | 1,445 | 13,785 |
| Investing activities | | |
| Disposal of assets held for sale | – | 2,285 |
| Acquisition of investment properties, mining reserves, plant and equipment | (3,515) | (3,350) |
| Disposal of other investments | 253 | – |
| Acquisition of other investments | (1,379) | (490) |
| Interest received | 30 | 86 |
| Cash outflows from investing activities | (4,611) | (1,469) |
| Financing activities | | |
| Interest paid | (2,675) | (2,932) |
| Interest obligation under finance leases | (178) | (259) |
| Repayment of lease liabilities | (231) | (193) |
| Receipt of bank loan - Bisichi PLC | 61 | 3,908 |
| Repayment of bank loan - Bisichi PLC | (200) | (6,011) |
| Receipt of bank loan - London & Associated Properties PLC | 105 | 13,725 |
| Repayment of bank loan - London & Associated Properties PLC | (169) | (28,482) |
| Equity dividends paid | – | (154) |
| Equity dividends paid - non-controlling interests | (63) | (375) |
| Cash outflows from financing activities | (3,350) | (20,773) |
| Net decrease in cash and cash equivalents | (6,516) | (8,457) |
| Cash and cash equivalents at beginning of year | 8,691 | 17,120 |
| Exchange adjustment | 173 | 28 |
| Cash and cash equivalents at end of year | 2,348 | 8,691 |

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:

| | 2020 | 2019 |
|--|----------------|---------|
| | £'000 | £'000 |
| Cash and cash equivalents (before bank overdrafts) | 7,194 | 13,533 |
| Bank overdrafts | (4,846) | (4,842) |
| Cash and cash equivalents at end of year | 2,348 | 8,691 |

£nil of cash deposits at 31 December 2020 were charged as security to debenture stocks (2019: £340,000).

£nil of cash deposits at 31 December 2020 were charged as security to bank loans (2019: £2,271,000).

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Group accounting policies

The following are the principal Group accounting policies:

Basis of accounting

The Group financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and are additionally required under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The directors have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 | |
|----------------|--------------------------|---------|----------------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Year-end rate | 20.0145 | 18.5759 | 1.3663 | 1.3254 |
| Annual average | 21.0936 | 18.4326 | 1.2833 | 1.2781 |

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 period to 30 June 2022. The LAP Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman's Statement and Chief Executive's Review and Financial and Performance 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 the Group is unable to collect a significant proportion of its rent for an extended period of time. While the assumptions applied in these scenarios are possible, they do not represent the Group's view of the likely outcome. However, the results of these tests help to inform the directors' assessment of the viability of LAP. The Group has 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. The group has over two hundred tenants and is not reliant on any single large tenant.

Cash position

The worst-case scenario, which management consider a remote possibility, assumes that for a period of nine months after the date of these accounts:

- 60% of tenants delay payments by nine months
- rent accruing from 20% of tenants who remain in occupation is never received
- rent accruing from a further 20% of tenants is never received as they become insolvent
- empty units remain void for a period of 6 months before reletting
- No dividend is received from Bisichi for the duration of the forecast
- 75% of tenant arrears built up from March 2020 to date, above normal levels, are never recovered

In the event of the above worst-case assumptions, in December 2021 LAP's cash balances would fall to their lowest level of £1.0 million. These estimates include discretionary spending that could be delayed or stopped entirely and assume that no additional sources of funding are sought, other than refinancing of existing debts at their end dates.

group accounting policies

Debt Covenants

The Group has examined potential falls in valuations across all properties and assessed the effect on existing debt covenants. In all cases we have the option to paydown the loans to cure Loan to Value covenants.

A reduction in property valuations would require LAP to repay loans in order to meet Loan to Value covenants. This could be met from a combination of existing cash reserves, by providing currently unencumbered properties, valued at £5.0 million, as additional security or by selling or leveraging other investments and assets. In 2020 there was a reduction in investment property values of £2,269,000 (4.7%)

Some, but not all, loans are non-recourse to the group. The Group's 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 fall in value, either currently unencumbered properties or cash could be added to the existing security. The property mix of the current security is 68% community retail and 32% 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 that expired in January 2021 and is currently rolling over. The lender has offered terms for a nine-month extension to October 2021 to enable a longer term refinancing, following the delays caused by COVID. Dragon is considering this offer and is exploring options for longer term refinancing of this loan. The LTV on this loan is 56% based on the lender's last valuation and the security is considered attractive.

Broadway Regen has a development loan of £3.67 million (2019: £3.61 million) expiring in July 2021. This is a residential development which is expected to have strong returns. We expect that the lender will continue to roll over this loan 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.

In the longer term, the Group's £14 million loan with Phoenix CRE S.a.r.l and its £10 million debenture with Aviva are due for repayment in August and September of 2022 respectively. The Board will be looking at options to refinance these loans closer to their expiry.

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 2020.

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates.

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 or when more management time is spent on development activities with a view to recovering value through the disposal of the property rather than managing it to generate/receive rent.

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 at within Inventories - property, 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 2020 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. An 8% reduction in average forecast coal prices or a 10% 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 and property rental and service charge.

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 measured at fair value through 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 liabilities 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 |
| Right of use assets | Over term of lease |

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 than 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.

The Company's properties held as inventory may take longer than one year to convert to cash, but are shown as current assets as they will be converted to cash within the Company's operating cycle.

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

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 recorded 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.

financial statements

Notes to the financial statements

for the year ended 31 December 2020

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

| | LAP | BISICHI | DRAGON | 2020 TOTAL |
|---|---------|----------|--------|---------------|
| BUSINESS ANALYSIS | £'000 | £'000 | £'000 | £'000 |
| Rental income | 4,377 | 919 | 108 | 5,404 |
| Service charge income | 795 | 156 | 21 | 972 |
| Management income from third party properties | 18 | – | – | 18 |
| Mining | – | 28,624 | – | 28,624 |
| Group Revenue | 5,190 | 29,699 | 129 | 35,018 |
| Direct property costs | (2,192) | (142) | (5) | (2,339) |
| Impairment of inventory - property | (2,300) | – | – | (2,300) |
| Direct mining costs | – | (24,645) | – | (24,645) |
| Overheads | (2,317) | (5,820) | (28) | (8,165) |
| Exchange losses | – | (38) | – | (38) |
| Depreciation | (258) | (2,193) | (4) | (2,455) |
| Operating (loss)/profit | (1,877) | (3,139) | 92 | (4,924) |
| Finance income | 5 | 25 | – | 30 |

| | | | | |
|--|-----------------|-----------------|----------------|-----------------|
| Finance expenses | (2,200) | (641) | (28) | (2,869) |
| Result before valuation movements | (4,072) | (3,755) | 64 | (7,763) |
| Other segment items | | | | |
| Net decrease on revaluation of investment properties | (664) | (1,295) | (310) | (2,269) |
| (Decrease)/increase in value of other investments | (20) | 39 | – | 19 |
| Net increase on revaluation of investments held for trading | – | 67 | – | 67 |
| Adjustment to interest rate derivative | (200) | – | – | (200) |
| Revaluation and other movements | (884) | (1,189) | (310) | (2,383) |
| Loss for the year before taxation | (4,956) | (4,944) | (246) | (10,146) |
| Segment assets | | | | |
| - Non-current assets - property | 33,383 | 10,471 | 2,130 | 45,984 |
| - Non-current assets - plant & equipment | 797 | 10,174 | 15 | 10,986 |
| - Cash & cash equivalents | 3,413 | 3,768 | 13 | 7,194 |
| - Inventories - property | 25,013 | – | – | 25,013 |
| - Non-current assets - other | – | 1,746 | – | 1,746 |
| - Current assets - others | 978 | 11,037 | 453 | 12,468 |
| Total assets excluding investment in joint ventures, assets held for sale and trading | 63,584 | 37,196 | 2,611 | 103,391 |
| Segment liabilities | | | | |
| Borrowings | (30,889) | (9,053) | (1,185) | (41,127) |
| Current liabilities | (5,898) | (10,866) | (92) | (16,856) |
| Non-current liabilities | (3,526) | (2,343) | 7 | (5,862) |
| Total liabilities | (40,313) | (22,262) | (1,270) | (63,845) |
| Net assets | 23,271 | 14,934 | 1,341 | 39,546 |
| Major customers | | | | |
| Customer A | – | 9,042 | – | 9,042 |
| Customer B | – | 7,588 | – | 7,588 |
| Customer C | – | 6,291 | – | 6,291 |

These customers are for mining revenue in South Africa.

| Geographic analysis | United Kingdom £'000 | South Africa £'000 | 2020 Total £'000 |
|--|-------------------------|-----------------------|---------------------------------|
| Revenue | 6,521 | 28,497 | 35,018 |
| Operating loss | (1,323) | (3,601) | (4,924) |
| Non-current assets excluding investments | 46,842 | 10,128 | 56,970 |
| Total net assets | 36,636 | 2,910 | 39,546 |
| Capital expenditure | 365 | 3,435 | 3,800 |

| 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 |
| - Inventories - property | 26,915 | – | – | 26,915 |
| - Current assets - others | 686 | 10,940 | 343 | 11,969 |
| Total assets excluding investment in joint ventures, assets held for sale and property inventories | 67,974 | 40,203 | 2,905 | 111,082 |
| 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 | 28,304 | 19,215 | 1,614 | 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.

| | United Kingdom £'000 | South Africa £'000 | 2019 Total £'000 |
|--|-------------------------|-----------------------|------------------------|
| Geographic analysis | | | |
| Revenue | 17,303 | 46,663 | 63,966 |
| Operating profit/(loss) | (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 |

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

2. LOSS before taxation

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Loss before taxation is stated after charging/(crediting): | | |
| Staff costs (see note 26) | 7,289 | 9,614 |
| Depreciation on tangible fixed assets - owned assets | 2,200 | 2,185 |
| Depreciation on tangible fixed assets - right of use | 255 | 224 |
| Exchange loss | 39 | 123 |
| Amounts payable to the auditor in respect of both audit and non-audit services | | |
| Audit services | | |
| Statutory - Company and consolidation | 88 | 88 |
| Subsidiaries - audited by RSM | 19 | 19 |
| Subsidiaries - audited by other auditors | 110 | 89 |
| Further assurance services | 4 | 4 |
| Other services | 9 | 11 |
| | 230 | 211 |

Staff costs are included in overheads.

3. Directors' emoluments

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Emoluments | 805 | 1,216 |
| Defined contribution pension scheme contributions | 45 | 84 |
| | 850 | 1,300 |

Sir Michael Heller received £83,000 (2019: £283,000) 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

| 2020 £'000 | 2019 £'000 |
|---------------|---------------|
|---------------|---------------|

| | | |
|---------------------------------------|----------------|---------|
| Finance income | 30 | 86 |
| Finance expenses | | |
| Interest on bank loans and overdrafts | (1,615) | (1,963) |
| Other loans | (968) | (915) |
| Interest on derivatives | – | (122) |
| Interest on lease obligations | (286) | (252) |
| Total finance expenses | (2,869) | (3,252) |

Interest of £282,000 (2019: £282,000) has been capitalised in relation to the Broadway Regen loan, interest accrues at a rate of 7% (2019: 7%) per annum

5. Income tax

| | 2020 | 2019 |
|---|----------------|-------|
| | £'000 | £'000 |
| Current tax | | |
| Corporation tax on profit of the period | 30 | 1,584 |
| Corporation tax on profit of previous periods | 2 | (2) |
| Total current tax | 32 | 1,582 |
| Deferred tax | | |
| Loss relief | 109 | 44 |
| Origination of timing differences | 117 | 75 |
| Revaluation of investment properties | (201) | (412) |
| Accelerated capital allowances | (1,143) | (370) |
| Fair value of interest derivatives | – | 32 |
| Total deferred tax (note 22) | (1,118) | (631) |
| Tax on profit on ordinary activities | (1,086) | 951 |

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 per cent (2019: 19 per cent). The differences are explained below:

| | 2020 | 2019 |
|---|-----------------|---------|
| | £'000 | £'000 |
| Loss for the year before taxation | (10,146) | (4,540) |
| Taxation at 19 per cent (2019: 19 per cent) | (1,927) | (863) |
| Effects of: | | |
| Capital gains / (losses) on disposal | – | 54 |
| Other differences | 334 | 386 |
| Losses not recognised | 973 | 913 |
| Adjustment in respect of prior years | 2 | (2) |
| Deferred tax rate adjustment | (468) | 463 |
| Income tax charge for the year | (1,086) | 951 |

Analysis of United Kingdom and overseas tax:

United Kingdom tax included in above:

| | 2020 | 2019 |
|--------------------------------------|--------------|-------|
| | £'000 | £'000 |
| Corporation tax | 18 | 14 |
| Adjustment in respect of prior years | – | – |
| Current tax | 18 | 14 |
| Deferred tax | (14) | (671) |
| | 4 | (657) |

Overseas tax included above:

| | 2020 | 2019 |
|---------------------------------------|----------------|-------|
| | £'000 | £'000 |
| Corporation tax | 12 | 1,570 |
| Adjustments in respect of prior years | 2 | (2) |
| Current tax | 14 | 1,568 |
| Deferred tax | (1,104) | 40 |
| | (1,090) | 1,608 |

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 3 March 2021, the Chancellor announced an increase in the rate of corporation tax to 25% from April 2023. The impact of this increase in the Corporation Tax rate, which will be recognised in 2023, is likely to be negligible.

6. Dividend

| | 2020 Per share | 2020 £'000 | 2019 Per share | 2019 £'000 |
|---|-------------------|---------------|-------------------|---------------|
| Dividends paid during the year relating to the prior period | 0.000p | – | 0.180p | 154 |
| Dividends to be paid: | | | | |
| Proposed final dividend for the year | 0.000p | – | 0.000p | – |

The Directors are not recommending a final dividend for 2020, because of the uncertain state of the global economy.

7. Loss per share and net assets per share

Basic and diluted loss per share has been calculated as follows:

| | 2020 | 2019 |
|--|----------------|---------|
| Loss for the year (£'000) | (6,704) | (6,477) |
| Weighted average number of ordinary shares in issue ('000) | 85,325 | 85,325 |
| Loss per share | (7.86)p | (7.59)p |

Weighted average number of shares in issue is calculated after excluding treasury shares of 218,197 (2019: 218,197).

Basic and diluted net assets per share have been calculated as follows:

| | 2020 | 2019 |
|------------------------|---------------|--------|
| Net assets (£'000) | 29,860 | 36,726 |
| Shares in issue ('000) | 85,325 | 85,325 |
| Net assets per share | 34.99p | 43.04p |

8. Investment properties

| | Total £'000 | Freehold £'000 | Leasehold over 50 years £'000 | Leasehold under 50 years £'000 |
|--|----------------|-------------------|--|---|
| Cost or valuation at 1 January 2020 | 47,906 | 30,658 | 17,041 | 207 |
| Acquisition of property | 329 | 329 | – | – |
| Increase in present value of head leases | 18 | – | 18 | – |
| Decrease on revaluation | (2,269) | (1,034) | (1,225) | (10) |
| At 31 December 2020 | 45,984 | 29,953 | 15,834 | 197 |

Representing assets stated at:

| | | | | |
|------------------------------|---------------|---------------|---------------|------------|
| Valuation | 42,640 | 29,953 | 12,497 | 190 |
| Present value of head leases | 3,344 | – | 3,337 | 7 |
| At 31 December 2020 | 45,984 | 29,953 | 15,834 | 197 |

| | 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 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 |
| At 31 December 2019 | 47,906 | 30,658 | 17,041 | 207 |

The leasehold and freehold properties, excluding the present value of head leases and directors' valuations, were valued as at 31 December 2020 by professional firms of chartered surveyors. The valuations were made at fair value. The directors' property valuations were made at fair value.

| | 2020 £'000 | 2019 £'000 |
|-----------------------|---------------|---------------|
| Allsop LLP | 31,620 | 31,715 |
| Carter Towler | 10,270 | 11,565 |
| Directors' valuations | 750 | 1,300 |
| | 42,640 | 44,580 |

| | | | | |
|----------------------------------|--|--|---------------|--------|
| Add: present value of headleases | | | 3,344 | 3,326 |
| | | | 45,984 | 47,906 |

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 (2019: £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.

The historical cost of investment properties, including total capitalised interest of £1,161,000 (2019: £1,161,000) was as follows:

| | 2020 | | | 2019 | | |
|---------------------|-------------------|--|---|-------------------|--|---|
| | Freehold £'000 | Leasehold Over 50 years £'000 | Leasehold under 50 years £'000 | Freehold £'000 | Leasehold Over 50 years £'000 | Leasehold under 50 years £'000 |
| Cost at 1 January | 35,213 | 18,883 | 785 | 35,151 | 17,653 | 1,939 |
| Reclassification | – | – | – | – | 1,154 | (1,154) |
| Additions | 329 | – | – | 62 | 76 | – |
| Cost at 31 December | 35,542 | 18,883 | 785 | 35,213 | 18,883 | 785 |

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 experienced 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 | Carrying / Fair value | Carrying/ Fair value | Valuation technique | Key unobservable inputs | Range (weighted average) 2020 | Range (weighted average) 2019 |
|---|------------------------------|----------------------|-----------------------|---|--|---|
| Level 3 | Fair value 2020 £'000 | 2019 £'000 | | | | |
| Freehold – external valuation | 29,203 | 29,358 | Income capitalisation | Estimated Rental Value Per sq ft p.a Equivalent Yield | £5 – £33 (£15) 5.5% – 16.7% (10.3%) | £3 – £37 (£15) 5.5% – 13.3% (9.8%) |
| Leasehold over 50 years – external valuation | 12,497 | 13,722 | Income capitalisation | Estimated Rental Value Per sq ft p.a Equivalent Yield | £5 – £10 (£7) 5.8% – 22.7% (15.6%) | £4 – £10 (£8) 5.8% – 21.4% (14.9%) |
| Leasehold under 50 years – external valuation | 190 | 200 | Income capitalisation | Estimated Rental Value Per sq ft p.a Equivalent Yield | £5 – £5 (£5) 31.6% – 31.6% (31.6%) | £5 – £5 (£5) 30.5% – 30.5% (30.5%) |
| Freehold – Directors' valuation | 750 | 1,300 | Income capitalisation | Estimated Rental Value Per sq ft p.a Equivalent Yield | £4 – £4 (£4) 12.1% – 12.1% (12.1%) | £4 – £4 (£4) 7.0% – 7.0% (7.0%) |
| At 31 December | 42,640 | 44,580 | | | | |

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.

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) | |
|--|---------------|---|---------------|
| 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |

| | | | | |
|---|----------------------|---------------|------------------|-----------|
| Freehold – external valuation | 2,918/(2,918) | 2,932/(2,932) | 859/(809) | 884/(831) |
| Leasehold over 50 years – external valuation | 1,250/(1,250) | 1,372/(1,372) | 255/(244) | 302/(289) |
| Leasehold under 50 years – external valuation | 19/(19) | 20/(20) | 2/(1) | 2/(2) |
| Freehold – Directors' valuation | 75/(75) | 130/(130) | 16/(15) | 48/(45) |

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 2020 | 29,860 | 1,226 | 26,674 | 1,054 | 906 |
| Exchange adjustment | (1,852) | (88) | (1,733) | – | (31) |
| Valuation increase | 110 | – | – | 110 | – |
| Additions | 3,471 | – | 3,430 | – | 41 |
| At 31 December 2020 | 31,589 | 1,138 | 28,371 | 1,164 | 916 |
| Accumulated depreciation at 1 January 2020 | 19,388 | 1,212 | 17,405 | 211 | 560 |
| Exchange adjustment | (1,240) | (89) | (1,136) | – | (15) |
| Charge for the year | 2,455 | – | 2,130 | 255 | 70 |
| Accumulated depreciation at 31 December 2020 | 20,603 | 1,123 | 18,399 | 466 | 615 |
| Net book value at 31 December 2020 | 10,986 | 15 | 9,972 | 698 | 301 |
| Cost at 1 January 2019 | 28,173 | 1,240 | 26,148 | – | 785 |
| Exchange adjustment | (310) | (14) | (293) | – | (3) |
| IFRS 16 reclassification | 1,111 | – | 57 | 1,054 | – |
| Additions | 3,212 | – | 3,074 | – | 138 |
| Disposals | (2,326) | – | (2,312) | – | (14) |
| Cost 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 | (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 |

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 2020 | 924 | 52 | 843 | 29 |
| Revaluation | 109 | – | 109 | – |
| Additions | 284 | 248 | – | 36 |
| Exchange adjustment | (18) | (18) | – | – |
| Depreciation | (293) | (19) | (254) | (20) |
| Net book value at 31 December 2020 | 1,006 | 263 | 698 | 45 |

10. ASSETS HELD FOR SALE

| | 2020 £'000 | 2019 £'000 |
|----------------|-----------------------|---------------|
| At 1 January | – | 2,285 |
| Disposal | – | (2,285) |
| At 31 December | – | – |

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 2020 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 | 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, | South Africa |

| | | | 1050 | | |
|---|----------|------|----------------------------------|-------------------|--|
| 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 25.

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 property and infrastructure:

| | 2020 £'000 | 2019 £'000 |
|-------------------------|---------------|---------------|
| At 1 January | 26,915 | 38,556 |
| Capitalised expenditure | 116 | 127 |
| Capitalised interest | 282 | 282 |
| Sales | – | (10,300) |
| Impairments | (2,300) | (1,750) |
| At 31 December | 25,013 | 26,915 |

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 £7.056 million (2019: £6.665 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 £17.95 million, being cost of £22 million less an impairment provision of £4.05 million, and is being developed for sale. A 5% movement in the estimated sales price of this development would have an effect of £2.4 million (2019: £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 (2019: £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.

£25,013,000 (2019: £26,915,000) of the inventory is expected to be recovered after more than 12 months.

13. Inventories - Mining

| | 2020 £'000 | 2019 £'000 |
|-------------------|---------------|---------------|
| Coal | | |
| Washed | 2,924 | 2,037 |
| Mining production | 394 | 135 |
| Work in progress | 111 | 215 |
| Other | 16 | 45 |
| | 3,445 | 2,432 |

14. Non-current asset investments

| | 2020 Total £'000 | Listed shares £'000 | Unlisted shares £'000 | 2019 Total £'000 | Listed shares £'000 | Unlisted shares £'000 | Loan stock £'000 |
|----------------|------------------------|---------------------------|-----------------------------|------------------------|---------------------------|-----------------------------|------------------------|
| At 1 January | 287 | 287 | – | 1,783 | 35 | 1 | 1,747 |
| Additions | 1,379 | 1,359 | 20 | 255 | 255 | – | – |
| Gain / loss | 201 | 201 | – | – | – | – | – |
| Disposals | (101) | (101) | – | – | – | – | – |
| Impairments | (20) | – | (20) | (1,751) | (3) | (1) | (1,747) |
| At 31 December | 1,746 | 1,746 | – | 287 | 287 | – | – |

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

15. Trade and other receivables

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|---------------|---------------|
| Trade receivables | 6,610 | 6,609 |
| Other receivables | 940 | 1,143 |
| Prepayments and accrued income | 640 | 647 |

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 £658,000 (2019: £301,000), with the increase being attributable to increased credit risk on property trade receivables arising due to Covid.

16. Investments in listed securities held at FVPL

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Market value of listed Investments: | | |
| Listed in Great Britain | 567 | 863 |
| Listed outside Great Britain | 266 | 256 |
| | 833 | 1,119 |
| Original cost of listed investments | 1,098 | 1,150 |
| Unrealised surplus / deficit of market value versus cost | (265) | (31) |

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

17. Trade and other payables

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Trade payables | 7,191 | 3,996 |
| Other taxation and social security costs | 618 | 427 |
| Other payables | 3,570 | 3,894 |
| Accruals and deferred income | 4,754 | 4,518 |
| | 16,133 | 12,835 |

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

18. Borrowings

| | 2020 £'000 Current | 2020 £'000 Non-current | 2019 £'000 Current | 2019 £'000 Non-current |
|--|--------------------------|------------------------------|--------------------------|------------------------------|
| Other loans (Bisichi) | 264 | 144 | 261 | 382 |
| £1.25 million term bank loan (secured) repayable by 2021 (Dragon)* | 1,185 | – | 1,175 | – |
| Bank overdrafts (secured) (Bisichi) | 4,846 | – | 4,842 | – |
| £14 million term bank loan (secured) repayable by 2022 at 6.95 per cent* | 193 | 13,449 | 96 | 13,502 |
| £0.04 million term loan (unsecured) repayable by 2026 at 2.5 per cent | 4 | 36 | – | – |
| £10 million first mortgage debenture stock 2022 at 8.109 per cent* | – | 9,973 | – | 9,956 |
| £3.96 million term bank loan (secured) repayable by 2024 (Bisichi)* | – | 3,799 | – | 3,759 |
| £4.026 million term loan (secured) - repayable by 2021 (Broadway Regen) | 3,670 | – | 3,605 | – |
| £3.932 million term loan (secured) repayable by 2028* | 112 | 3,452 | 141 | 3,464 |
| | 10,274 | 30,853 | 10,120 | 31,063 |

Borrowings analysis by origin:

| | 2020 £'000 | 2019 £'000 |
|----------------|---------------|---------------|
| United Kingdom | 35,873 | 35,698 |
| South Africa | 5,254 | 5,485 |
| | 41,127 | 41,183 |

* 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, although some temporary waivers were obtained as described below.

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 £17.95 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. Certain banking covenants were breached during the year due to the cashflow effects of the first Covid lockdown on rent receipts from tenants. The breaches were waived by the lender and all payment obligations to the lender were met by the Group. No banking covenants have been breached since July 2020.

The Aviva 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 £17.72 million.

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 £7.5 million. 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. An amortisation holiday of 1 year from May 2020 was arranged in the year.

In South Africa, an R85million trade facility is held with Absa Bank Limited by Sisonke Coal Processing (Pty) Limited ("Sisonke Coal Processing") in order to cover the working capital requirements of Bisichi's South African operations. The interest cost of the loan is at the South African prime lending rate plus 3.8%. The facility is renewable annually each January, is repayable on demand and is 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 £11,25 million. All banking covenants were either adhered to or waived by Absa Bank Limited during the year.

Bisichi holds a £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. 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 £10.27 million. No banking covenants were breached during the year.

The bank loan of £1.25 million (Dragon) which was repayable in January 2021 is secured by way of a first charge on specific freehold property which is included in the financial statements at a value of £2.13 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 £4.026 million (Broadway Regen) which is repayable in July 2021, 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 £7.1 million. The interest cost of the loan is fixed at 7.0% per annum.

The Group's objectives when managing capital are:

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

Analysis of the changes in liabilities arising from financing activities:

| | 2020 £'000 | 2020 £'000 | 2019 £'000 | 2019 £'000 |
|---|--------------------|----------------------|--------------------|----------------------|
| | Bank borrowings | Lease obligations | Bank borrowings | Lease obligations |
| Balance at 1 January | 41,183 | 4,266 | 56,643 | 3,261 |
| Exchange adjustments | (386) | (18) | (57) | - |
| Cash movements excluding exchange adjustments | 131 | (329) | (15,583) | (456) |
| Valuation movements | 199 | 460 | 180 | 1,461 |
| Balance at 31 December | 41,127 | 4,379 | 41,183 | 4,266 |

19. LEASE LIABILITIES

| | 2020 Total £'000 | 2020 Head leases on investment property £'000 | 2020 Office £'000 | 2020 Other £'000 | 2019 Total £'000 |
|---|------------------------|--|-------------------------|------------------------|------------------------|
| Minimum lease payments fall due: | | | | | |
| Within one year | 550 | 214 | 265 | 71 | 476 |
| Second to fifth year | 1,569 | 853 | 530 | 186 | 1,639 |
| After five years | 20,233 | 20,101 | - | 132 | 20,105 |
| | 22,352 | 21,168 | 795 | 389 | 22,220 |
| Future finance charges on lease liabilities | (17,973) | (17,824) | (67) | (82) | (17,954) |
| Present value of lease liabilities | 4,379 | 3,344 | 728 | 307 | 4,266 |
| Present value of lease liabilities: | | | | | |
| Within one year | 514 | 214 | 232 | 68 | 424 |
| Second to fifth year | 1,438 | 786 | 496 | 156 | 1,511 |
| After five years | 2,427 | 2,344 | - | 83 | 2,331 |
| | 4,379 | 3,344 | 728 | 307 | 4,266 |

Lease liabilities greater than one year are £3,865,000 (2019: £3,842,000).

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

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

20. Provisions

| | 2020 £'000 | 2019 £'000 |
|---------------------|---------------|---------------|
| At 1 January | 1,554 | 1,571 |
| Exchange adjustment | (112) | (17) |
| At 31 December | 1,442 | 1,554 |

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:

| | 2020 | | 2019 | |
|----------------------------------|------------------------|----------------------------|------------------------|----------------------------|
| | Fair value £'000 | Carrying value £'000 | Fair value £'000 | Carrying value £'000 |
| Cash and cash equivalents | 7,194 | 7,194 | 13,533 | 13,533 |
| Investments - non-current assets | 1,746 | 1,746 | 287 | 287 |

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Investments - current assets | 833 | 833 | 1,119 | 1,119 |
| Other assets | 7,550 | 7,550 | 7,793 | 7,793 |
| Derivative liabilities | (200) | (200) | – | – |
| Bank overdrafts | (4,846) | (4,846) | (4,842) | (4,842) |
| Bank loans | (26,308) | (26,308) | (26,385) | (26,385) |
| Lease liabilities | (4,379) | (4,379) | (4,266) | (4,266) |
| Other liabilities | (11,262) | (11,262) | (7,923) | (7,923) |
| Total financial liabilities before debentures | (29,672) | (29,672) | (20,684) | (20,684) |

Fair value of debenture stocks

Fair value of the Group's debenture liabilities:

| | NOMINAL value £'000 | Fair value £'000 | 2020 Fair value adjustment £'000 | 2019 Fair value adjustment £'000 |
|--|---------------------------|------------------------|---|---|
| Debenture stocks | (10,000) | (10,315) | (315) | (497) |
| Tax at 19 per cent (2019: 19 per cent) | – | – | 60 | 94 |
| Post tax fair value adjustment | – | – | (255) | (403) |
| Post tax fair value adjustment – basic pence per share | – | – | (0.30p) | (0.47p) |

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, interest rate collars 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 has a variable interest term debt with minimum and maximum rates. At 31 December 2020, with other variables unchanged, a 1% increase in interest rates would change the profit/loss for the year by £155,000 (2019: £119,000). Bisichi has variable loans and a 1% increase in interest rates would change the profit/loss for the year by £37,000 (2019: £107,000).

Interest rate risk

Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group.

The 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 £4.026 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, an R85million trade facility is held with Absa Bank Limited by Sisonke Coal Processing (Pty) Limited ("Sisonke Coal Processing") in order to cover the working capital requirements of Bisichi's South African operations. The interest cost of the loan is at the South African prime lending rate plus 3.8%. The 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) Limited. The facility is included in cash and cash equivalents within the cashflow statement.

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

The £14 million term loan with Pheonix CRE S.à r.l. 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. The amounts below relate to gross contractual undiscounted cashflows.

| | 2020 Total £'000 | Less than 1 year £'000 | 2-5 years £'000 | Over 5 years £'000 | Carrying values £'000 |
|----------------------------|------------------------|------------------------------|--------------------|--------------------------|-----------------------------|
| Bank overdrafts (floating) | 4,846 | 4,846 | – | – | 4,846 |
| Debentures (fixed) | 10,000 | – | 10,000 | – | 9,973 |
| Bank loans (fixed) | 3,710 | 3,674 | 36 | – | 3,710 |
| Bank loans (floating)* | 23,108 | 1,754 | 18,619 | 2,735 | 22,598 |
| Lease liabilities | 22,352 | 550 | 1,569 | 20,233 | 4,379 |

| | | | | | |
|---|------------------------|------------------------------|--------------------|--------------------------|--------------------------------------|
| Trade and other payables (non-interest) | 16,016 | 16,016 | – | – | 16,016 |
| | 80,032 | 26,840 | 30,224 | 22,968 | 61,522 |
| | 2019 Total £'000 | Less than 1 year £'000 | 2-5 years £'000 | Over 5 years £'000 | Carrying values £'000 |
| Bank overdrafts (floating) | 4,842 | 4,842 | – | – | 4,842 |
| Debentures (fixed) | 10,000 | – | 10,000 | – | 9,956 |
| Bank loans (fixed) | 3,605 | 3,605 | – | – | 3,605 |
| Bank loans (floating)* | 23,558 | 1,673 | 19,047 | 2,838 | 22,780 |
| Lease liabilities | 22,220 | 476 | 1,639 | 20,105 | 4,266 |
| Trade and other payables (non-interest) | 12,408 | 12,408 | – | – | 12,408 |
| | 76,633 | 23,004 | 30,686 | 22,943 | 57,857 |

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.

* Details of all hedges are shown on the next page.

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 £17,323,000 (2019: £22,691,000).

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 impairment provision for expected credit losses provided against trade receivables was £658,000 (2019: £301,000).

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 2020 and 2019 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 2020, 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 £360,000 (2019: £176,000). 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 £601,000 (2019: £294,000).

The 25% sensitivity has been determined based on the average historic volatility of the exchange rate for 2019 and 2020.

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

| | | |
|--------------------|--------------|-------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| Sterling | 1,641 | 4,741 |
| South African Rand | 809 | 1,672 |
| US Dollar | 1,318 | 1,307 |
| | 3,768 | 7,720 |

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:

| | | |
|--------------------|--------------|---------------|
| 2020: | UK | South |
| | £'000 | Africa |
| | | £'000 |
| Sterling | (70) | - |
| South African Rand | 39 | (8,878) |
| US Dollar | 1,736 | - |
| | 1,705 | (8,878) |
| 2019: | UK | South |
| | £'000 | Africa |
| | | £'000 |
| Sterling | 1,151 | - |
| South African Rand | 40 | (3,510) |

| | | |
|-----------|-------|---------|
| US Dollar | 1,582 | - |
| | 2,773 | (3,510) |

Borrowing facilities

At 31 December 2020 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.

Interest rate and hedge profile

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Fixed rate borrowings | 13,683 | 13,561 |
| Floating rate borrowings | | |
| – Subject to interest rate collar | 13,642 | 14,773 |
| – Other borrowings | 13,802 | 12,849 |
| | 41,127 | 41,183 |
| Average fixed interest rate | 7.80% | 7.82% |
| Weighted average collared interest rate | 6.95% | 6.63% |
| Weighted average cost of debt on overdrafts, bank loans and debentures | 7.04% | 7.06% |
| Average period for which borrowing rate is fixed | 2.1 years | 2.1 years |
| Average period for which borrowing rate is swapped | 1.7 years | 2.6 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 2020 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. At the year end the fair value liability of this interest rate collar in the accounts was £200,000 (2019: £nil), as valued by Group.

Dragon had an interest rate hedge of £1.25 million to cover the £1.25 million bank loan. This consisted of a 5 year £1.25 million cap agreement taken out in November 2015 at 2.5%, which expired in October 2020.

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 | 2020 Gain/(loss) to income statement £'000 |
|--------------------------------------|------------------|------------------|------------------|----------------|--|
| Financial assets | | | | | |
| Quoted equities – non-current assets | 1,746 | – | – | 1,746 | 201 |
| Quoted equities – current assets | 833 | – | – | 833 | (135) |
| Financial liabilities | | | | | |
| Interest rate collar | – | 200 | – | 200 | (200) |

| | 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 |

Capital structure

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

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

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

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|---------------|---------------|
| Total debt | 45,506 | 45,449 |
| Less cash and cash equivalents | (7,194) | (13,533) |
| Net debt | 38,312 | 31,916 |
| Total equity | 39,748 | 49,133 |
| | 96.4% | 65.0% |

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.

| | 2020 £'000 | 2019 £'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 7,194 | 13,533 |

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

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Bank loans and overdrafts: | | |
| Repayable on demand or within one year | 10,274 | 10,120 |
| Repayable between two and five years | 18,145 | 18,269 |
| Repayable after five years | 2,735 | 2,838 |
| | 31,154 | 31,227 |
| Debentures: | | |
| Repayable between two and five years | 9,973 | 9,956 |
| | 41,127 | 41,183 |

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

22. Deferred tax liabilities

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Balance at 1 January | 1,654 | 2,305 |
| Transferred to consolidated income statement | (1,118) | (631) |
| Exchange adjustment | (181) | (20) |
| Balance at 31 December | 355 | 1,654 |

The deferred tax balance comprises the following:

| | | |
|--|------------|-------|
| Revaluation of properties | 113 | 314 |
| Accelerated capital allowances | 2,916 | 2,810 |
| Short-term timing differences | (486) | (532) |
| Unredeemed capital deductions | (645) | – |
| Losses and other deductions | (1,543) | (938) |
| Deferred tax liability provision at end of year: | 355 | 1,654 |

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 £8,022,000 (2019: £7,339,000), 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 2020 | Number of ordinary 10p shares 2019 | 2020 £'000 | 2019 £'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 | |
|--|----------------------------------|---------|-------------------|---------------|
| | 2020 | 2019 | 2020 £'000 | 2019 £'000 |
| Shares held in Treasury at 1 January | 218,197 | 218,197 | 144 | 144 |
| 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 2020 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 2020 is as follows:

| | Changes during the year | | | | At 31 December 2020 |
|---|-------------------------|----------------------|--------------------|-------------------|---------------------------|
| | At 1 January 2020 | Options Exercised | Options granted | Options lapsed | |
| 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 2020 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 2020 is as follows:

| | Changes during the year | | | | At 31 December 2020 |
|--|-------------------------|----------------------|--------------------|-------------------|---------------------------|
| | At 1 January 2020 | Options Exercised | Options granted | Options lapsed | |
| Shares issued to date | 450,000 | – | – | – | 450,000 |
| Shares allocated over which options have not yet been granted | 550,000 | – | – | – | 550,000 |
| Total shares allocated for issue to employees under the scheme | 1,000,000 | – | – | – | 1,000,000 |

The Bisichi 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 2019 | Number of share options issued/exercised/ (cancelled) during year | Number of shares for which options outstanding at 31 December 2020 |
|---------------|------------------------------|---|--|---|--|
| 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.

| | 2020 Number | 2020 Weighted average exercise price | 2019 Number | 2019 Weighted average exercise price |
|--------------------------|----------------|---|----------------|---|
| Outstanding at 1 January | 680,000 | 79.5p | 680,000 | 79.5p |

| | | | | |
|----------------------------|----------------|--------------|---------|-------|
| 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”)

| | 2020 | 2019 |
|-------------------------------------|----------------|--------|
| | £’000 | £’000 |
| As at 1 January | 12,407 | 12,309 |
| Share of (loss)/profit for the year | (2,356) | 986 |
| Dividends received | (63) | (858) |
| Exchange movement | (302) | (30) |
| As at 31 December | 9,686 | 12,407 |

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 | 2020 | 2019 |
|--|-----------------|----------|
| | £’000 | £’000 |
| Revenue | 29,805 | 48,274 |
| (Loss)/profit for the year attributable to owners of the parent | (3,354) | 1,046 |
| (Loss)/profit for the year attributable to NCI | (440) | 549 |
| (Loss)/profit for the year | (3,794) | 1,595 |
| Other comprehensive expense attributable to owners of the parent | (395) | (42) |
| Other comprehensive expense attributable to NCI | (69) | (7) |
| Other comprehensive expense for the year | (464) | (49) |
| Balance sheet | | |
| Non-current assets | 23,646 | 22,885 |
| Current assets | 15,004 | 18,849 |
| Total assets | 38,650 | 41,734 |
| Current liabilities | (16,175) | (13,179) |
| Non-current liabilities | (6,286) | (7,998) |
| Total liabilities | (22,461) | (21,177) |
| Net assets at 31 December | 16,189 | 20,557 |
| Cash flows | | |
| From operating activities | 1,065 | 4,305 |
| From investing activities | (4,267) | (3,730) |
| From financing activities | (926) | (3,411) |
| Net cash flows | (4,128) | (2,836) |

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

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

| Black Wattle Colliery (Pty) Limited (“Black Wattle”) | 2020 | 2019 |
|---|-----------------|----------|
| | £’000 | £’000 |
| Revenue | 28,555 | 46,706 |
| Expenses | (31,498) | (43,040) |
| (Loss)/profit for the year | (2,943) | 3,666 |
| Other comprehensive income | – | – |
| Total comprehensive income for the year | (2,943) | 3,666 |
| Balance sheet | | |
| Non-current assets | 10,130 | 9,480 |
| Current assets | 9,781 | 10,462 |
| Current liabilities | (16,915) | (12,087) |
| Non-current liabilities | (2,224) | (3,682) |
| Net assets at 31 December | 772 | 4,173 |

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 share 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) | – | – |
| H D Goldring (Alberon Holdings Limited) | (10) | (ii) | – | – |
| C A Parritt | (18) | (ii) | – | – |
| R Priest | (35) | (ii) | (9) | – |
| Totals at 31 December 2020 | (108) | | (709) | – |
| Totals at 31 December 2019 | (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 (2019: £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 (2019: £10,000) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust.

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

Alberon Holdings Limited (Alberon) is a Company in which H D Goldring is a majority shareholder and director. Alberon 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 (2019: £41,000) and no repayment (2019: £nil) 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 £920,000 (2019: £1,464,000). 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:

| | 2020 | 2019 |
|----------------|------------|------|
| Production | 221 | 204 |
| Administration | 34 | 44 |
| | 255 | 248 |

Staff costs during the year were as follows:

| | 2020 £'000 | 2019 £'000 |
|--------------------------|---------------|---------------|
| Salaries and other costs | 6,651 | 8,741 |
| Social security costs | 236 | 386 |
| Pension costs | 402 | 487 |
| | 7,289 | 9,614 |

27. Capital Commitments

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Commitments for capital expenditure approved and contracted for at the year end | 485 | – |

All the above relates to Bisichi PLC.

28. Lease rentals receivable

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

| | 2020 | 2019 |
|--------|---------------|--------|
| | £'000 | £'000 |
| 2021 | 5,013 | 4,997 |
| 2022 | 4,418 | 4,247 |
| 2023 | 3,637 | 3,583 |
| 2024 | 2,829 | 2,854 |
| 2025 + | 18,553 | 18,327 |
| | 34,450 | 34,008 |

29. Contingent liabilities and events after the reporting period

There were no contingent liabilities at 31 December 2020 (2019: £Nil), except as disclosed in Note 21.

COVID-19 and the consequent 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 39.

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:

| | 2020 | 2019 |
|-------------------------------|--------------|-------|
| | £'000 | £'000 |
| Rail siding & transportation | 50 | 54 |
| Rehabilitation of mining land | 1,441 | 1,553 |
| Water & electricity | 48 | 52 |
| | 1,539 | 1,659 |

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 during the year and is related to events which occurred during and prior to the years ended 31 December 2019. As at the date of this report, 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 2020

| | Notes | 2020 | 2019 |
|--|-------|-----------------|----------|
| | | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 30.3 | 24,582 | 23,341 |
| Other investments: | | | |
| Associated company – Bisichi PLC | 30.4 | 489 | 489 |
| Subsidiaries and others including Dragon Retail Properties Limited | 30.4 | 45,459 | 47,922 |
| | | 45,948 | 48,411 |
| | | 70,530 | 71,752 |
| Current assets | | | |
| Debtors | 30.5 | 6,170 | 5,848 |
| Cash and cash equivalents | | 2,557 | 2,359 |
| | | 8,727 | 8,207 |
| Current liabilities | | | |
| Amounts falling due within one year | 30.6 | (47,592) | (44,043) |
| Net current liabilities | | (38,865) | (36,181) |
| Total assets less current liabilities | | 31,665 | 35,571 |
| Non-current liabilities | | | |
| Amounts falling due after more than one year | 30.7 | (11,448) | (11,604) |
| Deferred tax falling due after more than one year | | (671) | (345) |
| Net assets | | 19,546 | 23,967 |
| 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 | | 6,223 | 10,644 |

Shareholders' funds 19,546 23,967

The loss for the financial year, before dividends was £4,421,000 (2019: profit of £9,904,000)

These financial statements were approved by the board of directors and authorised for issue on 6 May 2021 and signed on its behalf by:

Sir Michael Heller **Jonathan Mintz** Company Registration No. 341829
Director Director

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | 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 2019 | 8,554 | 4,866 | 47 | (144) | 894 | 14,217 |
| Profit for the year | – | – | – | – | 9,904 | 9,904 |
| Total comprehensive income | – | – | – | – | 9,904 | 9,904 |
| Transactions 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 |
| Loss for the year | – | – | – | – | (4,421) | (4,421) |
| Total comprehensive expense | – | – | – | – | (4,421) | (4,421) |
| Balance at 31 December 2020 | 8,554 | 4,866 | 47 | (144) | 6,223 | 19,546 |

£6.8 million (2019: £11.3 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.

Management undertake an annual impairment assessment of the company's investment in subsidiary undertakings. In making their assessment management are required to make a number of estimates and assumptions regarding the future performance of the Group and in particular the valuation of its property portfolio. Further detail on the valuation of the group's investment properties is contained in note 8. The impairment assessment therefore includes a significant degree of management estimation and judgement.

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 39 to 45 of the Group financial statements.

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

30.2. Result for the financial year

The Company's result for the year was a loss of £4,421,000 (2019: profit of £9,904,000). 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 | | | Office | | |
|--|-----------------------|-------------------|--|---|---|-----------------------------|
| | Total £'000 | Freehold £'000 | Leasehold over 50 years £'000 | Leasehold under 50 years £'000 | equipment and motor vehicles £'000 | Office Building £'000 |
| Cost or valuation at 1 January 2020 | 23,796 | 13,650 | 8,539 | 206 | 347 | 1,054 |
| Additions in the year | 1,435 | 1,325 | – | – | – | 110 |
| Increase/(decrease) on revaluation | 65 | 1,075 | (1,000) | (10) | – | – |
| Cost or valuation at 31 December 2020 | 25,296 | 16,050 | 7,539 | 196 | 347 | 1,164 |
| Representing assets stated at: | | | | | | |
| Valuation | 23,785 | 16,050 | 7,539 | 196 | – | – |
| Cost | 1,511 | – | – | – | 347 | 1,164 |
| | 25,296 | 16,050 | 7,539 | 196 | 347 | 1,164 |
| Depreciation at 1 January 2020 | 455 | – | – | – | 244 | 211 |
| Charge for the year | 259 | – | – | – | 4 | 255 |
| Depreciation at 31 December 2020 | 714 | – | – | – | 248 | 466 |
| Net book value at 1 January 2020 | 23,341 | 13,650 | 8,539 | 206 | 103 | 843 |
| Net book value at 31 December 2020 | 24,582 | 16,050 | 7,539 | 196 | 99 | 698 |

The freehold and leasehold properties, excluding the present value of head leases and directors' valuations, were valued as at 31 December 2020 by professional firms of chartered surveyors. The valuations were made at fair value. The directors' property valuations were made at fair value.

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| Allsop LLP | 21,990 | 20,050 |
| Directors' valuation | 750 | 1,300 |
| | 22,740 | 21,350 |
| Add: Present value of headleases | 1,045 | 1,045 |
| | 23,785 | 22,395 |

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 2020 | 10,228 | 9,333 | 785 |
| Additions | 1,325 | – | – |
| Cost at 31 December 2020 | 11,553 | 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 (2019: £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 (2019: £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 2020 | 48,411 | 47,758 | 164 | 489 |
| Impairment provision | (2,463) | (2,463) | – | – |

At 31 December 2020

45,948 45,295 164 489

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 Orchard Square Limited by £2,463,000 (2019: impairment of £1,761,000), following a reduction in the carrying value of the Orchard Square, Sheffield development property.

30.5. Debtors

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Trade debtors | 598 | 352 |
| Amounts due from associate and joint ventures | 995 | 872 |
| Amounts due from subsidiary companies | 4,154 | 4,049 |
| Other debtors | 102 | 139 |
| Prepayments and accrued income | 321 | 436 |
| | 6,170 | 5,848 |

30.6. Creditors: amounts falling due within one year

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Trade payables | 48 | - |
| Amounts owed to subsidiary companies | 43,632 | 40,223 |
| Amounts owed to joint ventures | 156 | 156 |
| Other taxation and social security costs | 117 | 267 |
| Lease liabilities | 298 | 258 |
| Other creditors | 1,397 | 1,393 |
| Accruals and deferred income | 1,944 | 1,746 |
| | 47,592 | 44,043 |

30.7. Creditors: amounts falling due after more than one year

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Lease liabilities | 1,475 | 1,648 |
| Term Debenture stocks: | | |
| £10 million First Mortgage Debenture Stock 2022 at 8.109 per cent* | 9,973 | 9,956 |
| | 11,448 | 11,604 |

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

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

30.7. Creditors: amounts falling due after more than one year continued

| Repayment of borrowings: | 2020 £'000 | 2019 £'000 |
|--------------------------------------|---------------|---------------|
| Debentures: | | |
| Repayable within one year | - | - |
| Repayable between two and five years | 9,973 | 9,956 |
| Repayable in more than five years | - | - |
| | 9,973 | 9,956 |

LEASE LIABILITIES

| | 2020 Total £'000 | 2020 Head leases on investment property £'000 | 2020 Office £'000 | 2019 Total £'000 |
|---|------------------------|--|-------------------------|------------------------|
| Minimum lease payments fall due: | | | | |
| Within one year | 331 | 66 | 265 | 306 |
| Second to fifth year | 796 | 266 | 530 | 986 |
| After five years | 7,933 | 7,933 | - | 8,000 |
| | 9,060 | 8,265 | 795 | 9,292 |
| Future finance charges on lease liabilities | (7,287) | (7,220) | (67) | (7,386) |
| Present value of lease liabilities | 1,773 | 1,045 | 728 | 1,906 |
| Present value of lease liabilities: | | | | |
| Within one year | 298 | 66 | 232 | 258 |
| Second to fifth year | 743 | 247 | 496 | 916 |

| | | | | |
|------------------|-------|-------|-----|-------|
| After five years | 732 | 732 | - | 732 |
| | 1,773 | 1,045 | 728 | 1,906 |

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

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

30.8. Deferred tax liability

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|---------------|---------------|
| Deferred Taxation | | |
| Balance at 1 January | (345) | (744) |
| Transfer to profit and loss account | (326) | 399 |
| Balance at 31 December | (671) | (345) |

The deferred tax balance comprises the following:

| | | |
|---------------------------------------|--------------|--------------|
| Accelerated capital allowances | (438) | (391) |
| Short-term timing differences | (208) | (181) |
| Revaluation of investment properties | (25) | 227 |
| Deferred tax asset at year end | (671) | (345) |

30.9. Share capital

Details of share capital, treasury shares and share options are set out in Note 24.

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 | 36 | (i) | (156) | - |
| Bisichi PLC | | | | |
| Current account | 200 | (ii) | 43 | - |
| Simon Heller Charitable Trust | | | | |
| Current account | (63) | | - | - |
| Loan account | - | | (700) | - |
| Directors and key management | | | | |
| M A Heller and J A Heller | 18 | (i) | - | - |
| H D Goldring (Alberon Holdings Limited) | (10) | (iii) | - | - |
| C A Parritt | (18) | (iii) | - | - |
| R Priest | (35) | (iii) | (9) | - |
| Totals at 31 December 2020 | 128 | | (822) | - |
| Totals at 31 December 2019 | 129 | | (838) | - |

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’.

Other details of 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: | 2020 £'000 | 2019 £'000 |
| Directors & Administration | 19 | 22 |
| Staff costs during the year were as follows: | 2020 £'000 | 2019 £'000 |
| Salaries | 1,139 | 1,490 |
| Social Security costs | 139 | 163 |
| Pension costs | 121 | 178 |
| | 1,399 | 1,831 |

30.12. Capital commitments

There were no capital commitments at 31 December 2020 (2019: £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:

| | 2020 £'000 | 2019 £'000 |
|--------|---------------|---------------|
| 2021 | 1,623 | 1,524 |
| 2022 | 1,372 | 1,155 |
| 2023 | 1,115 | 896 |
| 2024 | 878 | 666 |
| 2025 + | 2,737 | 1,680 |
| | 7,725 | 5,921 |

30.14. Contingent liabilities and post balance sheet events

There were no contingent liabilities at 31 December 2020 (2019: £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.

financial statements

Five year financial summary

| | 2020 £M | 2019 £M | 2018 £M | 2017 £M | 2016 £M |
|---|------------|------------|------------|------------|------------|
| Portfolio size | | | | | |
| Investment properties–LAP [^] | 31 | 31 | 32 | 62 | 89 |
| Investment properties–joint ventures | - | - | - | - | - |
| Investment properties–Dragon Retail Properties | 2 | 2 | 2 | 3 | 3 |
| Investment properties–Bisichi [^] | 10 | 12 | 13 | 13 | 13 |
| Assets held for sale-LAP | - | - | 2 | 36 | - |
| Inventories-LAP | 25 | 27 | 39 | - | - |
| | 68 | 72 | 88 | 114 | 105 |
| Portfolio activity | £M | £M | £M | £M | £M |
| Acquisitions | 0.33 | 0.14 | 6.55 | - | - |
| Disposals | - | (12.59) | (36.44) | - | - |
| Additions to inventory at cost | 0.39 | 0.41 | 6.26 | - | 0.16 |
| | 0.72 | 0.14 | (23.63) | - | 0.16 |
| Consolidated income statement | £M | £M | £M | £M | £M |
| Group income | 35.02 | 63.97 | 56.65 | 47.87 | 31.81 |
| (Loss)/profit before tax | (10.15) | (4.54) | 1.27 | 11.28 | (0.97) |
| Taxation | 1.09 | (0.95) | (0.68) | (2.98) | (1.18) |
| (Loss)/profit attributable to shareholders | (6.70) | (6.48) | (2.08) | 7.69 | (2.36) |
| (Loss)/earnings per share – basic and diluted | (7.86)p | (7.59)p | (2.44)p | 9.01p | (2.77)p |
| Dividend per share | 0.00p | 0.00p | 0.18p | 0.300p | 0.165p |
| Consolidated balance sheet | £M | £M | £M | £M | £M |
| Shareholders' funds attributable to equity shareholders | 29.86 | 36.73 | 43.38 | 45.86 | 38.24 |
| Net borrowings, excluding lease obligations | 33.93 | 27.65 | 35.99 | 58.42 | 62.22 |
| Net assets per share – basic | 34.99p | 43.04p | 50.83p | 53.74p | 44.83p |
| – fully diluted | 34.99p | 43.04p | 50.83p | 53.74p | 44.83p |
| Consolidated cash flow statement | £M | £M | £M | £M | £M |
| Cash generated from operations | 1.64 | 14.98 | 1.92 | 10.29 | 5.59 |

Notes:

[^] Excluding the present value of head leases

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