

FOR IMMEDIATE RELEASE

28 August 2019

LONDON & ASSOCIATED PROPERTIES PLC

HALF YEAR RESULTS TO 30 JUNE 2019

London & Associated Properties PLC ("LAP" or "the Group") is a main market listed property investment group that specialises in industrial and community retail.

It also holds a substantial stake in the main market listed Bisichi Mining PLC which operates coal mines in South Africa and owns UK property investments.

HIGHLIGHTS

- Sale of long lease on Sheffield retail unit on 11 July 2019 for £9.5 million, with net cash inflow utilised to pay down debt.
- Sale of Coldharbour Lane, Brixton for £2.35 million completed on 31 July 2019, with net proceeds available for investment.
- Write down of £1.75 million investment in joint venture with Oaktree Capital Management.
- Group net assets of £55.2 million (£55.7 million December 2018) and those attributable to shareholders of £41.7 million (£43.4 million December 2018)
- New lettings completed at Orchard Square, Sheffield, generating £337,000 of annualised income.
- Terms agreed for the refinancing of the £18.3 million non-recourse loan repayable later this year.
- Retail property portfolio continues to perform satisfactorily with Group occupancy levels of 93.7% by rental income (June 2018: 97.0%)
- Runcorn industrial leasing transactions achieved 25% uplift above prevailing rates at time of acquisition
- JV with Metroprop Real Estate Limited, development in West Ealing:
 - Favourable pre-planning application feedback received
 - Planning application now submitted

"The market for retail and retail property remains extremely challenging. However, we are satisfied that our portfolio remains relevant and fit for purpose. This can be evidenced by the strong lease renewal programme that we have recently completed at Orchard Square while the remainder of our directly owned portfolio remains well-let with 93.7% occupancy levels." Sir Michael Heller, Chairman and John Heller, Chief Executive

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Half year results for the period ended 30 June 2019

Half year review

We are pleased to report on another period of progress for LAP.

Group revenue increased by 7.2% to £30.0 million from £28.0 million as compared with the same period last year. Profits before tax decreased to £1.3 million from £3.5 million last year. The current periods profits have been affected by movements in the value of two investments at Fargate, Sheffield and Project Harrogate, as described below.

During the period under review and since the half-year end, we have completed a number of important transactions that have further strengthened the Group. The most significant of these was the disposal in July of our flagship unit in Fargate to Metro Bank for £9.5 million. This unit was developed by us in 2007/8 for River Island who were still in occupation at the time of disposal, although they had executed their break clause. They were paying £475,000, a level of rent that would have been hard and very expensive to replace once the unit had become vacant. In agreement with our lenders, the net proceeds of the disposal which amounted to £9.3 million were used to pay down debt. The negotiations with Metro Bank had been ongoing for a considerable period of time and as a result the Fargate property had been valued at £10.3 million at the 2018 year end. However, we believe that this result represents an excellent outcome for shareholders and significantly de-risks this asset.

We also completed in July the sale of our nightclub building in Coldharbour Lane, Brixton to an overseas purchaser for £2.35 million. The property was valued at £2.35 million, less costs, at the year end to reflect the fact that we had exchanged conditional contracts at that time. It had previously been valued at £1.15 million. The nightclub had produced just £37,500 per annum and the proceeds should produce a significant increase to our cashflow once they are reinvested.

As mentioned at the year end, the loan from Santander and Europa Mezzanine which is secured against Orchard Square and a property in Wickersley, South Yorkshire, expired in July this year and we commenced a search for new lenders. The total amount outstanding at the year end was £28.3 million; however, following the sale of the Fargate property plus cash accrued in the Special Purpose Vehicle that owns these two assets, the current amount outstanding is £18.3 million. We have negotiated an extension of these loans until the beginning of October 2019.

We are currently in detailed negotiations with a new lender to finance Orchard Square alone, and I hope to be able to provide an update in the near future. However, these are extremely uncertain times in the lending market and completion of this loan cannot be taken for granted. The smaller Wickersley property will be refinanced through our existing facilities and cash resources.

The market for retail and retail property remains extremely challenging. However, we are satisfied that our portfolio remains relevant and fit for purpose. This can be evidenced by the strong lease renewal programme that we have recently completed at Orchard Square where all but two of the retailers renewed on rents that were on average at 82.5% of previously passing rents, while the remainder of our directly owned portfolio remains well-let with 93.7% occupancy levels.

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At Manor Park, Runcorn, our first industrial investment, we are pleased to report on strong progress with agreed leasing transactions where we have now achieved £5.00 psf. This growth has been a result of creating additional space through active management to meet tenant requirements, and compares favourably to the passing rent of just over £4.00 psf at time of acquisition. We also are shortly to have our first vacant and to let property which we anticipate will offer an opportunity to build on the growth seen to date.

We continue to manage intensively all of our properties and were pleased to extend the headlease on a property that we own in Castleford by 55 years for a single cash payment of £57,000. This should have a positive effect on the valuation of this property going forward.

At West Ealing, our joint venture with Bisichi and Metroprop which we acquired in October last year, we have now submitted a planning application for 54 apartments following a positive pre-application with the Council. We should receive the decision in the second half of this year and I will update shareholders in due course.

As announced in June, our £1.7 million investment in the Project Harrogate joint venture has been written off following the decision by Oaktree Capital Management, the 97% shareholder, not to cure a Loan-to-Value breach following a revaluation by the agents of the CMBS secured against the portfolio. The value of the properties dropped from £104 million to £86 million in a single year reflecting the difficulties that the vast majority of secondary shopping centres are facing in the current markets. LAP owned less than 3% of the equity of this joint venture following a decision in December 2017 to invest no further funds at the time of refinancing the portfolio. This decision has been borne out by subsequent events.

LAMS, our asset management subsidiary, will cease to asset manage the Harrogate portfolio from the end of September. This will impact on our cash flow as LAMS received management fees of £0.4 million per annum, although this deficit will be partly offset by savings to our overhead.

Bisichi Mining plc, our 42% owned subsidiary, had another successful six months with profit before tax of £4.4 million (2018: £3.9 million) from revenue of £26.4million (2018: £24.8million).

These results can be attributed to another strong performance from the group's South African coal mining and coal processing operations. During the first half of 2019, Black Wattle Colliery, their South African mining operation, achieved total production of 655,000 metric tonnes, consistent with total production of 670,000 metric tonnes achieved in the first half of 2018. In addition, strong demand for their coal continued to impact positively on the prices achievable for their coal and overall group revenue in the first half of the year.

In terms of markets, Bisichi has continued to see global economic factors impacting coal demand in the international market. At the end of June 2019 the average weekly price of Free on Board (FOB) Coal from Richard Bay Coal Terminal (API4 price) reached levels below US\$65 per metric tonne, compared to US\$95 at the end of 2018. Although Bisichi expect demand for our coal to remain stable, the weakening of prices in the international market may impact overall group revenue in the second half the year. Management will focus on maintaining production levels and keeping the cost of production low in order to ensure the group remains in a strong position to achieve significant value from its South African mining operations during the second half of the year.

Black Wattle signed an agreement in 2018 to acquire a new coal reserve contiguous to Black Wattle's operations. The reserve has an expected run of mine tonnage of 1.9 million metric tonnes, can be mined by opencast and is of a similar quality to Black Wattle's existing reserves. At present the acquisition remains subject to regulatory approval from the South African Department of Mineral Resources and Bisichi have no further news to report at this stage. Looking forward, the group continues to seek further opportunities to extend the life of mine of its existing mining operations or to develop new independent mining operations in South Africa.

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We do not intend to pay a dividend at the half year point; however, our strategy is to maximise income over the medium term and our dividend policy will reflect this once our cash has been reinvested and our income has returned to previous levels. We continue to explore new opportunities and have bid on a number of properties and portfolios over the last year. However, we do not intend to overpay and are unwilling to match offers from other parties that would not bring our requisite levels of return.

Following approval at the June 2018 Annual General Meeting, the 2018 final dividend of 0.18 pence per share is payable on 13 September 2019, to shareholders on the register at the close of business on 16 August 2019.

Sir Michael Heller

Chairman

28 August 2019

John Heller

Chief Executive

Consolidated income statement

for the six months ended 30 June 2019

		6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited) (restated)	Year ended 31 December 2018 (audited)
	Notes	£'000	£'000	£'000
Group revenue	1	29,967	27,965	56,651
Operating costs		(25,443)	(22,472)	(49,293)
Operating profit	1	4,524	5,493	7,358
Finance income	2	30	25	61
Finance expenses	2	(1,642)	(1,975)	(3,682)
Result before valuation and other movements		2,912	3,543	3,737
Non-cash changes in valuation of assets and liabilities and other movements				
Decrease in value of investment properties		(62)	-	(2,565)
Write off investment in joint venture		(1,749)	-	-
Increase/(decrease) in value of trading investments		59	(31)	(169)
Adjustment to interest rate derivative		168	168	265
Result including revaluation and other movements		1,328	3,680	1,268
Profit for the period before taxation	1	1,328	3,680	1,268
Income tax charge	3	(1,071)	(941)	(675)
Profit for the period		257	2,739	593
Attributable to:				
Equity holders of the Company		(1,507)	961	(2,082)
Non-controlling interest		1,764	1,778	2,675
Profit for the period		257	2,739	593
(Loss)/profit per share – basic and diluted	4	(1.77)p	1.13p	(2.44)p

A revenue recognition error was identified in the second half of 2018 in respect of Bisichi's 2018 financial year end. In respect of the comparative 6 month period ended 30 June 2018 the error amounted to £1,408,000 which had been incorrectly recorded as a deduction against revenue rather than shown as an operating cost. There is no profit or net asset impact as a result of the prior period restatement. The above comparatives have been restated accordingly. Refer to note 11 – Financial Information

Consolidated statement of comprehensive income

for the six months ended 30 June 2019

	30 June 2019 (unaudited) £'000	30 June 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Profit for the period	257	2,739	593
Other comprehensive income:			
Items that may be subsequently recycled to the income statement:			
Exchange differences on translation of foreign operations	69	(226)	(430)
Other comprehensive income/(expense) for the period, net of tax	69	(226)	(430)
Total comprehensive income for the period, net of tax	326	2,513	163
Attributable to:			
Equity shareholders	(1,486)	885	(2,239)
Non-controlling interest	1,812	1,628	2,402
	326	2,513	163

Consolidated balance sheet

at 30 June 2019

		30 June 2019 (unaudited) £'000	30 June 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Notes				
Non-current assets				
Market value of properties attributable to Group		47,506	78,040	47,430
Right of use assets		4,276	3,228	3,261
Property	5	51,782	81,268	50,691
Mining reserves, plant and equipment		9,625	8,089	8,659
Investments in joint ventures		-	-	1,783
Held to maturity investments		-	1,748	-
Other investments at fair value		35	32	-
Deferred tax		172	-	-
		61,614	91,137	61,133
Current assets				
Inventories – mining		1,316	985	828
Inventories – property	5	37,734	560	-
Assets held for sale	5	2,285	-	36,441
Trade and other receivables		12,358	9,190	8,022
Investments in listed securities at fair value		1,090	1,049	887
Cash and cash equivalents		20,184	27,549	20,655
		74,967	39,333	71,916
Total assets		136,581	130,470	133,049
Current liabilities				
Trade and other payables		(13,756)	(13,866)	(13,341)
Borrowings		(42,921)	(4,783)	(41,388)
Interest rate derivatives		-	-	(169)
Lease liabilities		(193)	-	-
Current tax liabilities		(133)	(839)	(73)
		(57,003)	(19,488)	(54,971)
Non-current liabilities				
Borrowings		(16,211)	(45,110)	(15,255)
Interest rate derivatives	6	-	(267)	-
Present value of head leases on properties		(4,138)	(3,228)	(3,261)
Provisions		(1,615)	(1,276)	(1,571)
Deferred tax liabilities		(2,397)	(2,837)	(2,305)
		(24,361)	(52,718)	(22,392)
Total liabilities		(81,364)	(72,206)	(77,363)
Net assets		55,217	58,264	55,686
Equity attributable to the owners of the parent				
Share capital		8,554	8,554	8,554
Share premium account		4,866	4,866	4,866
Translation reserve (Bisichi Mining PLC)		(831)	(772)	(852)
Capital redemption reserve		47	47	47
Retained earnings (excluding treasury shares)		29,245	33,948	30,906
Treasury shares		(144)	(145)	(144)
Retained earnings		29,101	33,803	30,762
Total equity attributable to equity shareholders		41,737	46,498	43,377
Non – controlling interest		13,480	11,766	12,309
Total equity		55,217	58,264	55,686
Net assets per share				
	7	48.92	54.50p	50.83p
Diluted net assets per share				
	7	48.92	54.50p	50.83p

Consolidated statement of changes in shareholders' equity

for the six months ended 30 June 2019

	Share capital £'000	Share premium £'000	Translation reserves £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings excluding treasury shares £'000	Total excluding Non-Controlling Interests £'000	Non-controlling Interests £'000	Total equity £'000
Balance at 1 January 2018	8,554	4,866	(695)	47	(145)	33,227	45,854	10,856	56,710
(Loss)/profit for the period	-	-	-	-	-	961	961	1,778	2,739
Other comprehensive income:									
Currency translation	-	-	(77)	-	-	-	(77)	(149)	(226)
Total other comprehensive income	-	-	(77)	-	-	961	884	1,629	2,513
Total comprehensive income/(expense)									
Transactions with owners:									
Share options charge	-	-	-	-	-	16	16	23	39
Dividends – equity holders	-	-	-	-	-	(256)	(256)	-	(256)
Dividends – non-controlling Interests	-	-	-	-	-	-	-	(742)	(742)
Transactions with owners						(240)	(240)	(719)	(959)
Balance at 30 June 2018 (unaudited)	8,554	4,866	(772)	47	(145)	33,948	46,498	11,766	58,264
Balance at 1 January 2018	8,554	4,866	(695)	47	(145)	33,227	45,854	10,856	56,710
Profit for year	-	-	-	-	-	(2,082)	(2,082)	2,675	593
Other comprehensive income:									
Currency translation	-	-	(157)	-	-	-	(157)	(273)	(430)
Total other comprehensive income	-	-	(157)	-	-	-	(157)	(273)	(430)
Total comprehensive income	-	-	(157)	-	-	(2,082)	(2,239)	2,402	163
Transaction with owners:									
Share options charge	-	-	-	-	-	16	16	8	24
Dividends – equity holders	-	-	-	-	-	(256)	(256)	-	(256)
Dividends – non-controlling Interests	-	-	-	-	-	-	-	(956)	(956)
Disposal of own shares	-	-	-	-	1	-	1	-	1
Transactions with owners	-	-	-	-	1	(240)	(239)	(948)	(1,187)
Balance at 31 December 2018 (audited)	8,554	4,866	(852)	47	(144)	30,906	43,377	12,309	55,686

Consolidated statement of changes in shareholders' equity - continued

for the six months ended 30 June 2019

	Share capital £'000	Share premium £'000	Translation reserves £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings excluding treasury shares £'000	Total excluding Non- Controlling Interests £'000	Non- controlling Interests £'000	Total equity £'000
Balance at 1 January 2019	8,554	4,866	(852)	47	(144)	30,906	43,377	12,309	55,686
(Loss)/profit for the period	-	-	-	-	-	(1,507)	(1,507)	1,764	257
Other comprehensive income:									
Currency translation	-	-	21	-	-	-	21	48	69
Total other comprehensive income	-	-	21	-	-	-	21	48	69
Total comprehensive (expense)/income	-	-	21	-	-	(1,507)	(1,486)	1,812	326
Transactions with owners:									
Dividends – equity holders	-	-	-	-	-	(154)	(154)	-	(154)
Dividends – non-controlling interests	-	-	-	-	-	-	-	(641)	(641)
Transactions with owners	-	-	-	-	-				
Balance at 30 June 2019 (unaudited)	8,554	4,866	(831)	47	(144)	29,245	41,737	13,480	55,217

LONDON & ASSOCIATED PROPERTIES PLC

Consolidated cash flow statement

for the six months ended 30 June 2019

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Year ended 31 December 2018 (audited)
	£'000	£'000	£'000
Operating activities			
Profit for the year before taxation	1,328	3,680	1,268
Finance income	(30)	(25)	(61)
Finance expense	1,642	1,975	3,682
(Increase)/decrease in value of investment properties	-	-	2,565
Write off investments in joint venture	1,749	-	-
Increase in trading investments	-	-	169
Adjustment to interest rate derivative	(168)	(168)	(265)
Depreciation	1,150	1,082	2,122
Profit on disposal of non-current assets	-	37	-
Share based payment expense	-	39	18
Exchange adjustments	(12)	63	65
Change in inventories	1,219	(233)	(797)
Development expenditure on inventories	(178)	(560)	(6,256)
Change in receivables	(3,400)	(2,530)	(235)
Change in payables	(749)	969	(354)
Cash generated from operations	2,551	4,329	1,921
Income tax paid	(1,134)	(1,328)	(2,281)
Cash inflows from operating activities	1,417	3,001	(360)
Investing activities			
Disposal of assets held for sale	(144)	36,441	36,474
Acquisition of investment properties, mining reserves, plant and equipment	(1,772)	(1,143)	(9,438)
Sale of investment properties, plant and equipment – continuing operations	-	-	1
Interest received	30	94	199
Cash inflows/(outflows) from investing activities	(1,886)	35,392	27,236
Financing activities			
Interest paid	(1,576)	(2,027)	(3,711)
Interest on obligation under finance leases	-	(91)	(178)
Repayment of bank loan – Dragon Retail Properties Limited	-	(65)	(65)
Receipt of bank loan – Bisichi Mining PLC	174	63	753
Repayment of bank loan – Bisichi Mining PLC	(74)	(3)	(19)
Receipt of bank loan	119	-	7,202
Repayment of bank loan	(88)	(16,674)	(16,438)
Short term loan from joint ventures and related parties	-	-	(30)
Repayment of debenture stocks	-	-	(3,000)
Equity dividends paid	-	-	(255)
Equity dividends paid – non-controlling interests	(63)	(63)	(309)
Cash outflows from financing activities	(1,508)	(18,860)	(16,050)

Consolidated cash flow statement - continued

for the six months ended 30 June 2019

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Year ended 31 December 2018 (audited)
	£'000	£'000	£'000
Net (decrease)/increase in cash and cash equivalents	(1,977)	19,533	10,826
Cash and cash equivalents at beginning of period	17,122	6,266	6,266
Exchange adjustment	7	(11)	28
Cash and cash equivalents at end of period	15,152	25,788	17,120

The cash flows above relate to continuing and discontinued operations.

Cash and cash equivalents

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

Cash and cash equivalents (before bank overdrafts)	20,184	27,549	20,655
Bank overdrafts	(5,032)	(1,761)	(3,535)
Cash and cash equivalents at end of period	15,152	25,788	17,120

£340,000 of cash deposits at 30 June 2019 were charged as security to debenture stocks.

£500,000 of cash deposits at 30 June 2019 were charged as security to bank loans.

Notes to the half year report

for the six months ended 30 June 2019

1. Segmental analysis	6 months ended 30 June 2019 (unaudited) £'000	6 months ended 30 June 2018 (unaudited) (restated) £'000	Year ended 31 December 2018 (audited) £'000
Revenue			
LAP			
- Rental Income	2,753	2,799	5,049
- Service charge income	401	-	802
- Management income from third parties	240	268	718
Bisichi			
- Rental Income	650	549	1,065
- Service charge income	106		137
- Mining	25,731	24,266	48,713
Dragon			
- Rental Income	86	83	167
	29,967	27,965	56,651
Operating (loss)/profit			
LAP	(165)	1,182	(2,818)
Bisichi	4,630	4,240	6,526
Dragon	59	71	29
	4,524	5,493	3,737
(Loss)/profit before taxation			
LAP	(3,104)	(308)	(4,723)
Bisichi	4,395	3,939	6,142
Dragon	37	49	(151)
	1,328	3,680	1,268
The Directors have disclosed service charge income separately as a component of revenue in 2019, with a corresponding grossing up of direct property costs. In the first 6 months of 2018 service charges were shown netted against direct property costs. Management considers the approach adopted in 2019 is more informative and intends to continue with this approach in future years. The revised disclosure does not change operating profit. For the 6 months to June 2018, the amount of service charge income received by the Group was £420,000. Accordingly, the change in presentation is not considered to be sufficiently material to warrant amending prior periods' disclosures.			
2. Finance costs	6 months ended 30 June 2019 (unaudited) £'000	6 months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Finance income	30	25	61
Finance expenses:			
Interest on bank loans and overdrafts	(1,019)	(1,051)	(2,034)
Other loans	(441)	(659)	(1,169)
Unwinding of discount (Bisichi Mining PLC)	-	-	(43)
Interest on derivatives	(122)	(141)	(269)
Interest on obligations under finance leases	(60)	(124)	(167)
Total finance expenses	(1,642)	(1,975)	(3,682)
	(1,612)	(1,950)	(3,621)

Notes to the half year report - continued

3. Income tax	6 months ended 30 June 2019 (unaudited) £'000	6 months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Current tax	1,094	1,810	2,050
Deferred tax	(23)	(869)	(1,375)
	1,071	941	675

4. Earnings per share	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Year ended 31 December 2018 (audited)
Group profit/(loss) after tax (£'000)	(1,507)	961	(2,082)
Weighted average number of shares in issue for the period ('000)	85,325	85,322	85,325
Basic earnings per share	(1.77)p	1.13p	(2.44)p
Diluted number of shares in issue ('000)	85,325	85,322	85,325
Diluted earnings per share	(1.77)p	1.13p	(2.44)p

5. Properties

Properties at 30 June 2019 are included at valuation as at 31 December 2018, plus additions in the period, or at value where a sale has been agreed.

No properties were sold during the six months ended 30 June 2019.

£2.285 million of assets held for sale at 30 June 2019, were sold in July 2019.

£9.30 million of assets held as inventory at 30 June 2019 were sold in July 2019.

6. Interest rate derivatives

At 30 June 2019 the fair value liability was £nil, with the sole derivative expiring on 1 July 2019 (30 June 2018: £267,000, 31 December 2018: £168,000).

Under IFRS 13 the hedges are not deemed to be eligible for hedge accounting and any movement in the value of the hedge is charged directly to the consolidated income statement.

Notes to the half year report - continued

7. Net assets per share	30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 December 2018 (audited)
Shares in issue ('000)	85,325	85,322	85,322
Net assets per balance sheet (£'000)	41,737	46,498	43,377
Basic net assets per share	48.92p	54.50p	50.83p
Shares in issue diluted by outstanding share options ('000)	85,325	85,322	85,322
Net assets after issue of share options (£'000)	41,737	46,498	43,377
Fully diluted net assets per share	48.92p	54.50p	50.83p

8. Related party transactions

The related parties and the nature of costs recharged are as disclosed in the group's annual financial statements for the year ended 31 December 2018.

9. Dividends

There is no interim dividend payable for the period (30 June 2018: Nil).

The final dividend in respect of 2018 of 0.18p per share, amounting to £154,000, is payable on 13 September 2019. As the 2018 final dividend was approved by the shareholders at the Annual General Meeting held on 12 June 2019, it is included as a liability in these interim financial statements.

10. Risks and uncertainties

The group's principal risks and uncertainties are reported on pages 7 and 8 in the 2018 Annual Report. They have been reviewed by the Directors and remain unchanged for the current period.

The largest area of estimation and uncertainty in the interim financial statements is in respect of the valuation of investment properties (which are not revalued at the half year) and the valuation of interest rate derivatives.

For our subsidiary, Bisichi Mining PLC, it also relates to currency movements and coal mining activities in South Africa, including depreciation, impairment and the provision for rehabilitation (relating to environmental rehabilitation of mining areas).

Notes to the half year report - continued

11. Financial information

The above financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures for the year ended 31 December 2018 are based upon the latest statutory accounts, which have been delivered to the Registrar of Companies; the report of the auditor on those accounts was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

As required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, the interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with both IAS 34 'Interim Financial Reporting' as adopted by the European Union and the disclosure requirements of the Listing Rules.

The half year results have not been audited or subject to review by the company's auditor.

The annual financial statements of London & Associated Properties PLC are prepared in accordance with IFRS as adopted by the European Union. The same accounting policies are used for the six months ended 30 June 2019 as were used for the year ended 31 December 2018.

During the 2018 year-end review of revenue recognition in South Africa a revenue recognition error was identified in respect of the treatment of transport and loading costs to deliver export coal under certain export agreements. The costs had been incorrectly recorded as a deduction against revenue rather than shown as an operating cost. In the Annual Financial Statements for the year ended 31 December 2018, such costs have been recorded in operating costs and the comparatives restated accordingly.

The impact on the interim results for the six months ended 30 June 2019 is a restatement of the prior period comparatives for the six months ended 30 June 2018. Both revenue and operating costs in the comparatives have been increased by £1,408,000. There is no profit or net assets impact as a result of the prior year restatement.

As stated in the 2018 Annual Report in the group accounting policies, Bisichi Mining PLC and Dragon Retail Properties Limited are consolidated with LAP, as required by IFRS 10.

The assessment of new standards, amendments and interpretations issued but not effective, is that these are not anticipated to have a material impact on the financial statements.

The following new standards have become effective and have been adopted by the Group during the year:

IFRS 16 – Leases

There is no significant impact on the Group as a lessor. The impact of the adoption of the IFRS 16 leasing standard on the Group as a lessee and the new accounting policies are disclosed below.

The Group has applied IFRS 16, 'Leases' on 1 January 2019. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. Until the 2019 financial year, the payments made under the operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease. The Group holds three types of 'operating leases'.

- Head leases: A small proportion of the investment properties owned by the Group is situated on land held through leasehold arrangements, as opposed to the Group owning the freehold. The remaining lease terms for the leasehold arrangements range between 39 and 126 years.
- Office leases: Office space occupied by the Group's operations.
- Mining equipment – used in Biscihi's operations

Upon initial recognition the lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use "(ROU)" assets were measured equal to the lease liability. As a result, there is no impact on opening retained earnings at 1 January 2019. In applying IFRS 16 for the first time, the Group has used the practical expedients permitted by the standard. The Balance Sheet impact of recognising the lease liability and associated ROU asset upon adoption at 1 January 2019 and subsequently at 30 June 2019 is set out below.

Balance Sheet caption	30 June 2019 £'000	1 January 2019 £'000
Investment property (ROU asset)	4,276	4,315
Current liabilities (leases)	193	193
Non-current liabilities (leases)	4,138	4,179

There was no material impact on the profit after tax for the 6 months period ended 30 June 2019. There was no impact on Adjusted EPS.

12. Board approval

The half year results were approved by the Board of London & Associated Properties PLC on 27 August 2019.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

(a) the condensed set of financial statements have been prepared in accordance with applicable accounting standards and IAS 34 Interim Financial Reporting as adopted by the EU;

(b) the interim management report includes a fair review of the information required by:

(1) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(2) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This report contains forward-looking statements. These statements are based on current estimates and projections of management and currently available information. Future statements are not guarantees of the future developments and results outlined therein. Rather, future developments and results are dependent on a number of factors; they involve various risks and uncertainties and are based upon assumptions that may not prove to be accurate. Risks and uncertainties identified by the Group are set out on pages 7 and 8 of the 2018 Annual Report & Accounts. We do not assume any obligation to update the forward-looking statements contained in this report.

Signed on behalf of the Board on 27 August 2019

Sir Michael Heller
Director

Jonathan Mintz
Director

LONDON & ASSOCIATED PROPERTIES PLC

Directors and advisors

Directors

Executive directors

* **Sir Michael Heller** MA FCA (Chairman)

John A Heller LLB MBA (Chief Executive)

Jonathan Mintz FCA (Finance Director) Appointed 11 February 2019

Non-executive directors

† **Howard D Goldring** BSC (ECON) ACA

#† **Clive A Parritt** FCA CF FIIA

Robin Priest MA

* Member of the nomination committee

Senior independent director

† Member of the audit, remuneration and nomination committees.

Secretary & registered office

Jonathan Mintz FCA

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