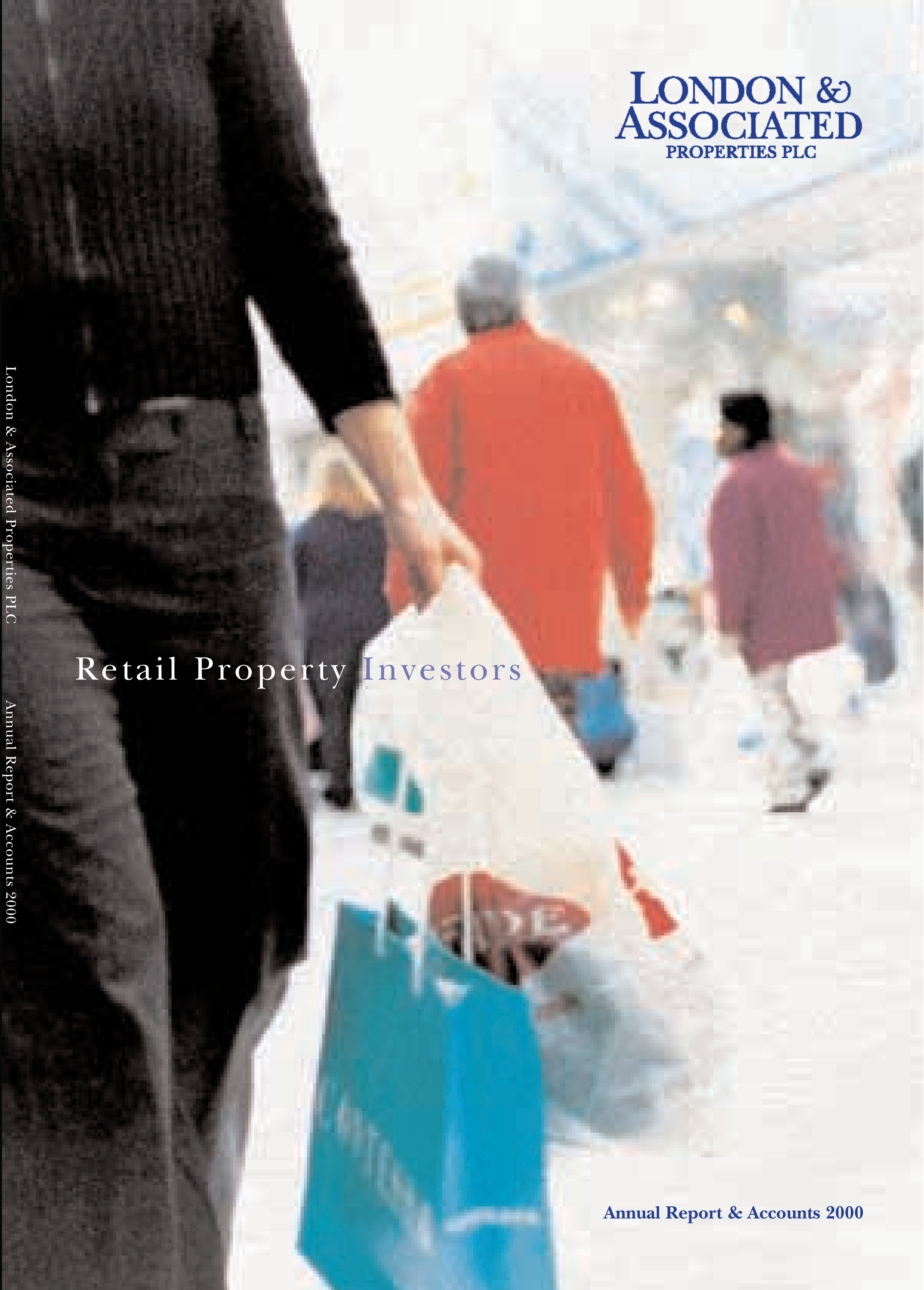


London & Associated Properties PLC

LONDON & ASSOCIATED PROPERTIES PLC

Retail Property Investors

Annual Report & Accounts 2000

London & Associated Properties PLC Annual Report & Accounts 2000

Contents

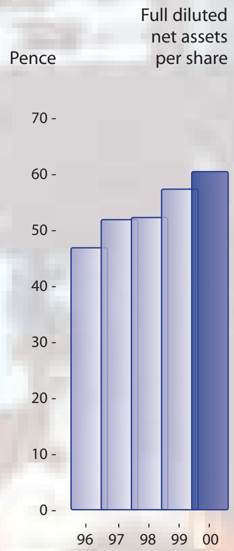
Financial calendar

Wednesday 6 June 2001
Annual General Meeting

13 July 2001
Payment of final dividend for 2000 (if approved)

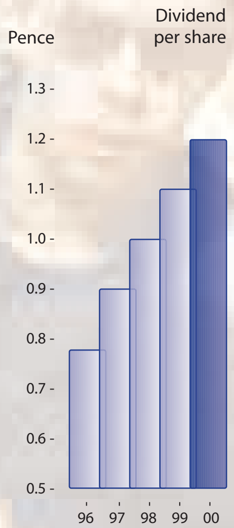
September 2001
Announcement of interim results to 30 June 2001

March 2002
Announcement of results for the year ended 31 December 2001



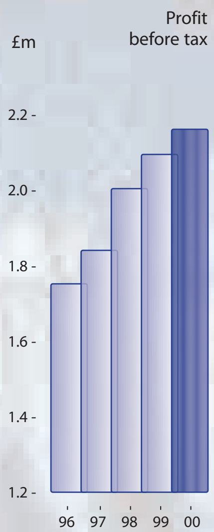
Financial highlights

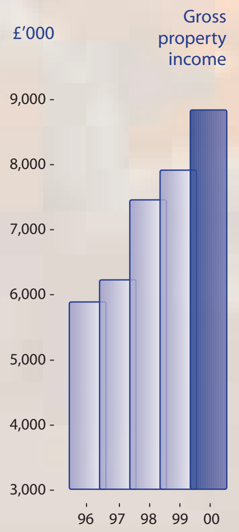
Fully diluted net asset value per share increases to 60.5p	**+5%**
Net assets increased to £49.7m	**+7%**
Contracted net annualised rent roll advances to £9m	**+11%**
Pre-tax profits rise to £2.17m	**+3%**
Final dividend of 1.2p per share recommended	**+9%**

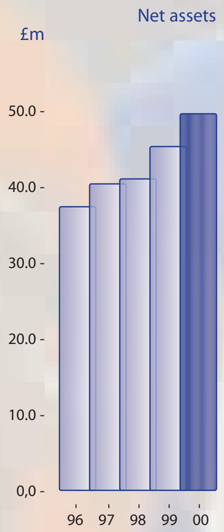


I am pleased to be able to report another year of sound progress during which demand for space in our shopping centres has been at the strongest I can recall. This demand has been translated into record rental levels being achieved at all our major centres... Our stategy continues to deliver shareholder value from an intensive management programme of our retail property portfolio and therefore I view the future with confidence.

Michael Heller Chairman







Chairman's statement

I am pleased to be able to report another year of sound progress during which demand for space in our shopping centres has been at the strongest I can recall. This demand has been translated into record rental levels being achieved at all our major centres and an 11% uplift in gross annual rental income to over £8.8m. Further, estimated rental values, reflecting the underlying growth potential of our properties, have increased to some £11m, which is a particularly creditable performance against a generally poor background for the retail property sector.

This good demand is a reflection of the key locations of our major centres and our policy of investing in towns with strong local day-to-day catchments. These centres appeal to the type of competitive retailers that trade well meeting demand from the modern value conscious consumer. The size, location and nature of our centres appeal strongly to these retailers who are expanding rapidly and gaining significant market share at the expense of longer established and middle market retailers. During 2000 we let more space to value retailers than ever before and names like Peacocks and Savers are becoming commonplace in our major centres.

Equally encouraging has been the increase in the Group's net asset value per share achieved during a period of generally softening yields for retail property. Following an independent valuation of our property investment portfolio, as at 31st December 2000, I can report that London & Associated Properties' Net Asset Value per share on a fully diluted basis rose 5% to 60.5p from 57.6p. This increase also follows an unusually high scrip issue last year as more shareholders opted for shares than for cash dividends.

At the same time the value of LAP's net assets rose 7% to £50m with a gross property portfolio valuation of £100m. The total value of Group properties, together with those owned by our associate company Bisichi Mining plc and those of our joint venture Dragon Retail Properties, amounts to £113m. This generates a Group rental income of some £9.6m, with an estimated rental value of some £12.5m.

Pre-tax profits for the 12 months to 31st December 2000, derived primarily from rental income, increased to £2.17m from £2.10m. This figure was achieved after an increase in interest payable of some £0.83m over the course of the year. We also reinvested approximately £1.7m in improvements to our key shopping centres to help underpin both future values and income streams.

The Board is recommending a final dividend of 1.2p per share, a 9% increase over last year's payment, reflecting our confidence in the future. The final dividend will be payable on 13 July 2001 to those shareholders on the register at 9 March 2001. I am pleased to report that over the last five years the annual dividend has increased at a compound rate of 11% and this yearís dividend will reflect a yield of 4.3% on today's opening share price of 27.75p.

At the balance sheet date, gearing net of listed investments was a comfortable 98%, and with more than half our long-term borrowings at variable interest rates we are now benefiting from the continuing downward pressure on interest rates. Interest payable is currently twice covered by rental income.

LAP invests exclusively in shopping centres and malls that are located in town and city centres and almost 80% of our annual rent roll is derived from major multiples. Two-thirds of our property investment portfolio, by value, comprises five strategic shopping centres all of which offer considerable opportunities for growth.

We are constantly looking to expand our larger centre portfolio as well as investing in our existing centres. Despite the large number of shopping centres that became available during 2000, we were unable to identify a major retail investment that met our stringent criteria. As I mentioned above we invested £1.7m in some of our existing centres such as Christchurch, where we acquired two adjacent shop units enabling future extension of the centre.

We have invested considerable time and effort at Orchard Square, Sheffield which we acquired in July 1999. We are now reaping the rewards of our intensive management of this centre and have achieved a 25% increase in market rents by creating the quality and size of unit that modern retailers require. This rental uplift is starting to flow through and will impact next year as we begin the rent review programme.

Dragon Retail Properties, our 50% owned joint venture, also purchased for £2m a block of four shops in Brighton's principal shopping street. We have already identified opportunities to increase the value of this investment and we expect to achieve higher rental levels than those estimated at the time of purchase.

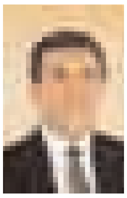
Shareholders are aware that LAP owns 42% of Bisichi Mining, which also owns a fully let retail property portfolio that we manage on its behalf. Bisichi's South African coal mining subsidiary is now operating profitably and we anticipate that our investment in this business will make a much-improved contribution to our profits in the current year.

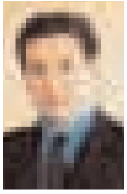
As we continue to focus on larger centres with greater opportunities for capital and rental growth we are looking to dispose of some of our smaller properties. To that end the Group has sold, or exchanged contracts to sell, properties with a combined value of £1.3m during the year.

Our results reflect my colleagues' hard work and on behalf of both shareholders and the Board I would like to express my sincere thanks to all of them. Our strategy continues to deliver shareholder value from an intensive management programme of our retail property portfolio and I therefore view the future with confidence.

Michael Heller

Michael Heller, Chairman
12 March 2001





Mike Dignan John Heller

Operating review

As indicated in the Chairman's statement, demand for space in our principal shopping centres is running at record levels and this has been translated into our highest ever contracted annualised rent roll of £9.2m, an 8% advance on last year. At the same time the estimated rental value of our five major centres is now in excess of £6.5m an increase of 7% over last year's level again reflecting the strength of tenant interest, particularly among retailers aiming at value-conscious consumers.

We continue to focus management time and resource on our larger centres, comprising approximately two-thirds by value of our total portfolio, where we see the greatest opportunities for growth over the medium term. Our five major shopping centres as a whole produced above average growth and in particular Orchard Square in Sheffield performed exceptionally well with a near 12% rise in value over the year. The growth of these centres was driven by increased rental values and not by yield.

Orchard Square - Sheffield

Our best performing property, the prime 117,000 sq ft Orchard Square Shopping Centre in Sheffield has already responded well to our intensive management approach with open market Zone A rents for new lettings within the scheme achieving between £65 and £70 per sq ft, an increase of 25% over those rents passing at the time of acquisition. This takes Orchard Square's total potential rent roll to £1.9m compared to a passing rent of £1.3m per year at the time of acquisition in July 1999.

The increasing strength of Orchard Square's tenant appeal is best seen by a pre-letting to the fashion shoe retailer Schuh which is relocating from Fargate, long regarded as Sheffield's prime retail pitch. Schuh is paying £83,500 pa for a newly created 2,000 sq ft unit reflecting demand for larger units at Orchard Square.

Above; *Orchard Square has successfully attracted a number of strong fashion and specialist retailers over the last 12 months*

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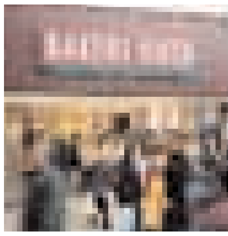
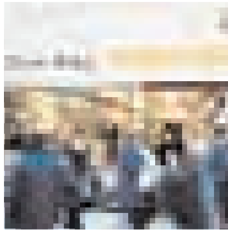
For the first time since Orchard Square was completed 10 years ago all the first and second floor space has been let with strong demand particularly from higher value specialist retailers. I am also pleased to report that we have achieved rental growth in the 12,700 sq ft of office space at the front of the centre where we took a surrender of a lease on 2,400 sq ft of space and re-let the accommodation to a multinational employment bureau at a rent 12% higher.

Additionally there are strong expressions of interest for larger shops within Orchard Square from national retailers and we are exploring the creation of additional space through unit extensions and the amalgamation of existing shops. We are confident of completing a number of these projects over the next year or so and we look forward to reporting on progress soon.

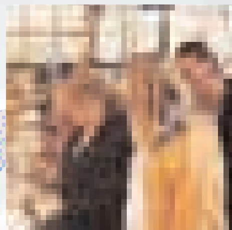




Above: *King Square benefited during the year from the opening of several new tenants who also brought exciting new shop formats into the centre*

Kings Square - West Bromwich
We have had another excellent year at Kings Square where, since the year end, we have established record Zone A rent levels of £62.50 per sq ft. The full impact of this will be felt during the course of the current year as there are a number of rent reviews to be negotiated.

Last year I reported that we were dividing a large shop into three smaller units. The first unit was let as soon as it became available to a national jewellery chain at rent of £33,000 per year, 10% higher than our original estimates. The remaining units are now available and one is under offer at £35,000 per year with strong interest in the last shop.



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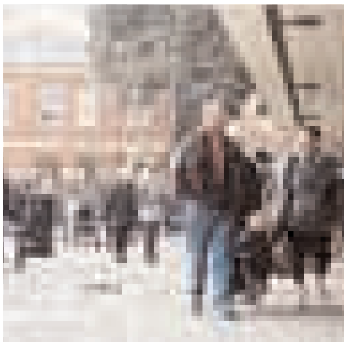

Below; *Just three of the deals negotiated over the last 12 months helping bring about another successful year for Saxon Square*

Saxon Square - Christchurch

The strong demand for units in Saxon Square that we noted last year has continued during 2000 and the latest Zone A rent agreed has been at £43 per sq ft compared to £41 per sq ft in the previous year. Demand for units within the centre continues to be strong and we are exploring the possibility of creating substantial extensions to the centre in order to satisfy retailers requirements to be represented here. As part of that strategy we acquired two shop units adjacent to Saxon Square. We are considering the best configuration to maximise value and initial marketing has already led to offers for space at levels substantially above existing rents.

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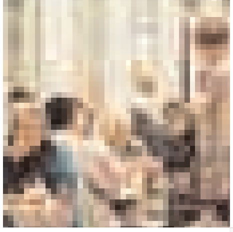
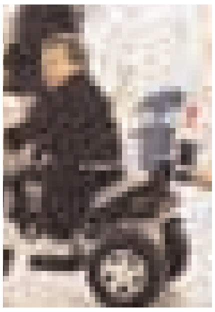


The Mall - Dagenham

We accepted the surrender of two units to the front of the Mall and re-let the entire space to First Sport, the national chain of sportswear retailers, at a rent 10% higher than in the previous configuration. Its position at the Mall's entrance is proving to be a great benefit to the scheme as a whole. Additionally Claire's Accessories have also taken a lease assignment in the Mall, and an assignment to a further national fashion chain is being finalised.

These deals are particularly encouraging as they confirm our own view that the much-publicised closure of the Ford motor plant has had a minimal effect on Dagenham's local economy.



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Above: *we introduced a number of exciting new tenants to The Mall, bringing a strong fashion offer to Dagenham*

Below: *The Brunel Centre benefitted from the retailers below either coming into the centre or re-fitting their existing units*

Brunel Centre - Bletchley

We are pleased to report that for the first time in five years the main concourse is now fully occupied, following a letting to the drug store chain Savers at a record rent per square foot. This latest letting will help to underpin rental growth right across the centre.

We have received two offers for a 20,000 sq ft re-designed building at Wetherburn Court, our adjacent development site. This follows the rejection of our planning application to develop a large unit for Woolworth on part of this site. The current plans show an improved design of the proposed building and feedback from the planners has been positive.

Elsewhere in our portfolio our joint venture, Dragon Retail Properties Limited, acquired a block of four shops in central Brighton for £2m. At the time of purchase it was estimated that current rental values were around £80 per sq ft but since the acquisition recent lettings in the immediate vicinity have achieved greater rental levels than this. For example, a shop directly opposite, was recently let at £105 per sq ft. This shows our units have significant reversionary potential.

Despite the generally negative sentiment towards retailing we achieved Group sales of £1.3m of smaller investments where we decided that opportunities for growth in the medium term were limited. We intend to continue this strategy during the course of the current year as we seek to rationalise the portfolio and focus resource on our larger centres. Interest levels have been good so far and we anticipate achieving more sales during 2001.

John Heller, Executive Director

Mike Dignan, Director of Property

12 March 2001

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Finance director's report

The Group remains in a strong financial position with all its main debt having at least 8.5 years unexpired. It currently has adequate resources available for anticipated levels of expenditure and to enable further acquisitions when appropriate.

The Group has not refinanced any of the long-term debt during the year. Apart from the unsecured overdrafts, the portfolio is financed by £47.8m of long-term loans, the shortest of which is repayable in 2009, with 53.2% at variable rates of interest. We have continued to monitor the long term fixed rate debt market and it remains our stated policy to fix rates for the longer term when we consider it to be advantageous.

It also remains the Group's intention not to repay any of the fixed rate term debt prior to its maturity. However, an adjustment under FRS 13 would have a notional impact of 4.73 pence per share, or £3.67m.

Gearing, net of listed investments, is now 98% (1999: 102%), a level at which your Board continues to feel very comfortable. Most importantly gross rental income covers interest payable at 1.96 times (1999: 2.12 times).

During the year there was a decrease in net liquid cash of £1.16m (1999: £0.88m decrease). This is after financing property purchases of £1.66m from existing resources. These purchases include two additional shops in Christchurch, adjacent to our centre, for £0.79m, and the refurbishment and extension of certain units within the portfolio, details of which have been outlined in the property review.

Income, net of property and directly attributable overheads, increased during the year by 14% to £6.0m. This is in part due to a full year's income from Orchard Square in Sheffield, but also reflects rental growth achieved across the existing portfolio.

The management of the property portfolio, which is carried out entirely in house, requires a team of people and the cost of the team is shown in the attributable overheads. These costs are tightly controlled and monitored. However this year shows a slightly higher than expected increase due to the full rent being charged to the Company on its own offices, as required under the accounting treatment of SSAP 21.

Interest costs have increased by £0.83m during the year, which is due to both a full year's financing charge for Orchard Square and the increase in the average LIBOR rate payable on the variable portion of our debt for the year.

Our tax charge was 15.4% (1999: 25.3%). This lower tax charge for the year reflects the capital allowances from Orchard Square, which were not taken in 1999. We should continue to reap the benefit from the capital allowances.

As a result of the growth in the property portfolio and the retained profits, the Group net assets, including the listed investments at market value, have increased to £49.7m (1999: £46.6m), an increase of 6.8%.

Our Associate Company, Bisichi Mining PLC, in which we hold a 42% stake, reversed the losses of 1999 and reported a pre-tax profit of £82,000 for the year. This turnaround has resulted from the positive management action taken at its coal mining subsidiary.

Dragon Retail Properties, our joint venture with Bisichi, had another strong year with net assets growing by a further 19.4%. It has purchased an additional block of four shops in Brighton during the year.

Our equity portfolio remains strong and continues to be invested in major UK listed companies where the shares are highly liquid. In common with the stock market in general the value of the portfolio fell back during the year to £3.3m (1999: £3.8m), although it again contributed over £0.2m in profits.

Robert Corry, Finance Director
12 March 2001

Directors and advisers

Directors

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

☆† **Patrick S Hawkings FCA (Non-executive)** - Pat Hawkings is chairman of the remuneration committee. He practised as a chartered accountant for many years in the City of London, and was an executive director of the company for twenty years.

† **L C John Brown FCA (Non-executive)** - John Brown is chairman of the audit committee. He practised as a chartered accountant for many years, both in the United Kingdom and the United States of America.

Robert J Corry BA FCA

† **Howard D Goldring BSc (Econ) ACA (Non-executive)** - Howard Goldring is a global investment strategist, formerly of Allied Dunbar. He is now principal of Alberon Associates and a director of Delmore Asset Management Limited. He is also a non-executive director of Liverpool Victoria Asset Management Limited.

John A Heller LLB MBA

† **Barry J O'Connell (Non-executive)** - Barry O'Connell retired as chief executive of KP Foods, part of United Biscuits (Holdings) PLC, in 1991 and is currently chairman of The Snack Factory Limited.

Michael C Stevens FCA

Secretary & registered office

Michael C Stevens FCA
8-10 New Fetter Lane
London EC4A 1AF

Director of property

Mike J Dignan FRICS

Auditors

Baker Tilly

Principal bankers

Barclays Bank PLC
HSBC Bank PLC
National Westminster Bank PLC
Royal Bank of Scotland PLC

Solicitors

Clifford Chance
Charles Russell
Dickinson Dees, Newcastle-upon-Tyne
Hardwick Stallards, London
Kuit, Steinart, Levy & Co, Manchester
Pinsent Curtis, Leeds
Wragge & Co, Birmingham

Stockbrokers

Credit Lyonnais Securities Europe

Registrars & transfer office

Capita IRG plc
34 Beckenham Road
Beckenham, Kent BR3 4TU Telephone 020 8650 4866

Company registration number

341829 (England and Wales)

Website www.laprops.co.uk
E-mail Admin@laprops.co.uk

* Member of the nomination committee
☆ Senior independent director
† Member of the audit, remuneration and nomination committees.

Directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2000.

Activities

The company is a property investment company, deriving income primarily from rents, and from dividends, trading listed investments, and its share of results of the associated and joint venture companies. The company holds 42 per cent of the issued ordinary share capital of Bisichi Mining PLC which operates in England and South Africa, and is listed on the London Stock Exchange. The Bisichi Group is involved in overseas mining and mining finance, UK retail property investment and investment in listed securities.

The review of activities during the year is contained in the Chairman's statement, and the results for the year are shown in the consolidated profit and loss account on page 24.

Dividends and shares

The directors recommend the payment of a final dividend for 2000 of 1.2p per ordinary share (1999 – 1.1p). The final dividend will be payable on 13 July 2001 to shareholders registered at the close of business on 23 March 2001.

As in past years, it will be proposed that shareholders are granted the opportunity of electing to receive all or part of the final dividend in the form of fully paid ordinary shares rather than cash.

During the year 1,227,317 new shares were issued to shareholders who elected to receive shares in lieu of cash for the dividend paid in July 2000.

Investment properties

Ninety four per cent of the investment property portfolio was externally revalued as at 31 December 2000 by two professional firms of chartered surveyors – Allsop & Co., London (88.7 per cent of the portfolio), and Hill Woolhouse, Leeds (5.8 per cent) and the remaining properties were valued by the directors. The valuations, which are reflected in the financial statements, amount to £99.7 million (1999 – £95.9 million).

The revaluation reserve was increased by £2.5 million (1999 – £3.5 million).

Directors

M A Heller, L C J Brown, R J Corry, H D Goldring, P S Hawkings, J A Heller, B J O'Connell and M C Stevens were the directors of the company throughout the year. L C J Brown, R J Corry and J A Heller are retiring by rotation and offer themselves for re-election. Brief details of the directors offering themselves for re-election at the Annual General Meeting are as follows:

John Brown has been a non-executive director since 1986 and has a contract of service determinable at three months notice. He practised as a chartered accountant for many years, both in the United Kingdom and the United States. He has also served on the board of Bisichi Mining PLC. He is chairman of the Audit Committee.

Robert Corry has been Finance Director since 1993, and has a contract of employment determinable at six months notice. He is a chartered accountant who has extensive experience in the property industry.

John Heller has been an executive director since 1998, and has a contract of employment determinable at three months notice. He has an MBA and is principally involved in implementing the board's strategy for property investment.

Directors' report continued

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 00	**1 Jan 00**	**31 Dec 00**	**1 Jan 00**
M A Heller	4,871,757	4,871,757	18,655,481	18,034,778
L C J Brown	72,500	50,775	–	–
R J Corry	2,940	2,807	–	–
H D Goldring	2,000	2,000	–	–
P S Hawkings	211,894	210,395	–	–
J A Heller	1,000,000	1,000,000	*13,655,481	*13,034,778
B J O'Connell	105,799	100,990	–	–
M C Stevens	310,835	298,434	†290,350	†277,153

*These non-beneficial holdings are duplicated with those of M A Heller.

†The non-beneficial interest of M C Stevens arises by reason of his being a director of London & Associated Securities Limited, a company which acts as a trustee.

No director had any material interest in any contract or agreement with the group during the year other than as shown in this report.

No changes in these holdings have taken place since the balance sheet date.

Substantial shareholdings

M A Heller and his family have an interest in 43,070,034 shares of the company, representing 55.5 per cent of the issued share capital. The Prudential Assurance Group holds £580,000 10.5 per cent convertible debenture stock 2010, and assuming full conversion it would then hold 4,640,000 shares representing 5.6 per cent of the enlarged issued share capital.

In addition, the Prudential held 1,445,712 shares in the company at 31 December 2000, being a non-notifiable interest.

There have been no material changes to these holdings since the balance sheet date.

Remuneration committee

The company has given full consideration to the best practice provisions relating to remuneration committees as set out in The Combined Code annexed to the Listing Rules of the London Stock Exchange.

The remuneration committee is comprised wholly of non-executive directors of the company, namely P S Hawkings (Chairman of the committee), L C J Brown, H D Goldring and B J O'Connell.

The principal function of the remuneration committee is to determine, on behalf of the board, the remuneration and other benefits of the executive directors and senior executives, including pensions, share options and service contracts.

The company's policy is to ensure that the executive directors, apart from the chairman, are rewarded competitively in relation to other companies in order to retain and motivate them.

The emoluments of each executive director comprises basic salary, profit related pay, provision of a car, premiums paid in respect of individual defined contribution pension arrangements, health insurance premiums and share options.

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. No pension costs are paid on their behalf.

All executive directors have full time contracts of employment with the company. Non-executive directors have contracts of service. No directors contract of employment or contract of service with the company, or its associated or joint venture companies, exceeds twelve months.

Directors' report continued

Directors' remuneration

	Salary £000	Pension Contri-butions £000	Benefits £000	**Total 2000 £000**	Total 1999 £000
Chairman					
M A Heller	6	–	22	**28**	29
Executive directors					
R J Corry	125	12	13	**150**	144
JA Heller	110	8	10	**128**	96
M C Stevens	93	9	9	**111**	109
Total executive remuneration	334	29	54	**417**	378

Salaries include payments under the company's Inland Revenue approved Profit Related Pay scheme.
Three directors have benefits accruing under money purchase pension schemes (1999: 3)

Non-executive directors	Board Fees £000	Benefits £000	**Total 2000 £000**	Total 1999 £000
L C J Brown	9	–	**9**	9
H D Goldring	12	7	**19**	18
P S Hawkings	12	–	**12**	12
B J O'Connell	12	–	**12**	12
	45	7	**52**	51
Total remuneration for directors' service during the year			**469**	429

Share option schemes

The company has two share option schemes – one is an Inland Revenue "Approved Scheme", and the second is not approved by the Inland Revenue – the "Unapproved Scheme". Executive directors have options to subscribe for ordinary shares under the two schemes as follows:

	Option price	**Number of share options 1 Jan 00**	**Granted in 2000**	**31 Dec 00**	**Exercisable from**	**to**
Approved Scheme						
R J Corry	28.5p	210,000	–	210,000	28 May 1996	27 May 2003
R J Corry	42.5p	190,000	–	190,000	10 May 1997	9 May 2004
M C Stevens	28.5p	50,000	–	50,000	28 May 1996	27 May 2003
M C Stevens	38.5p	27,900	–	27,900	14 May 2000	13 May 2007
MC Stevens	21.75p	50,000	–	50,000	6 Nov 2001	5 Nov 2008
Unapproved Scheme						
R J Corry	25.66p	200,000	–	200,000	8 March 2002	7 March 2009
J A Heller	25.66p	200,000	–	200,000	8 March 2002	7 March 2009
M C Stevens	25.66p	50,000	–	50,000	8 March 2002	7 March 2009

No options were exercised by directors during 2000.

The middle market price of London & Associated Properties PLC ordinary shares at 31 December 2000 was 27.25p. During the year the share price ranged between 22p and 31.5p.

The board's policy is to grant options to executive directors, managers and staff at appropriate times to provide them with an interest in the longer term development of the group.

Directors' report continued

Payment of suppliers

The company and the group agrees the terms of contracts when orders are placed. It is group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions.

Trade creditors outstanding at the year end represent 18.8 days (1999 – 22.6 days) annual trade purchases.

Corporate governance

Throughout the year the company has complied with the provisions of Section 1 of the Combined Code for corporate governance except in respect of the division of the duties of chairman and chief executive. Your board has carefully considered the division of these duties and has concluded that given the present size of the group it would not be appropriate to divide these duties between two directors. The audit and remuneration committees consist entirely of non-executive directors , and the nomination committee consists of non-executive directors plus the Chairman. The membership of the committees is set out on page 15.

Internal control

The Combined Code introduced a requirement that directors review the effectiveness of the Group's system of internal controls. This requirement extends the Directors' review to cover all controls covering operations and risks, as well as financial controls.

The Turnbull report "Internal Control Guidance for Directors on the Combined Code" was published in September 1999.

The Board have reviewed control procedures in accordance with the Turnbull guidance, and have fully complied with it for the accounting period ending on 31 December 2000.

The board is responsible for the effectiveness of the group's system of internal controls.

The board approves financial budgets and cash flow forecasts annually for the forthcoming year, and performance is closely monitored against such budgets and forecasts by means of weekly cash reports and monthly management accounts which are reviewed at monthly board meetings. The board have made arrangements for regular inspections of the company's tangible assets, and for insurance of those assets. The company's investments and other tangible assets are regularly reviewed by the board.

The board and audit committee have considered reports from the executive directors on internal control, and observations by the external auditors and other professional advisors are invited and are carefully considered.

No system of internal control can provide absolute assurance against material misstatement or loss. However the directors, having reviewed the systems of internal control, believe these systems provide reasonable assurance that the assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or would be detected within a timely period.

Disapplication of Section 89, Companies Act 1985

The Companies Act 1985 provides that if the directors wish to issue new securities for cash, they must be offered to current holders of shares in proportion to the number of shares they each hold at that time. The existing authority disapplying this pre-emption right conferred by a special resolution at last year's Annual General Meeting is soon to expire and therefore it is proposed that the existing authority is renewed at the forthcoming Annual General Meeting as set out in **Resolution 8** in the notice of Annual General Meeting on page 39. **Resolution 8** authorises the directors to allot for cash ordinary shares

to be issued in connection with rights issues and generally otherwise than in accordance with statutory pre-emption rights up to an aggregate nominal value of £388,037 which is equivalent to 5 per cent of the issued ordinary share capital as at 31 December 2000 (and 5 per cent of the issued ordinary share capital as at 12 March 2001). The proposed authority will expire at the conclusion of the next Annual

Directors’ report continued

General Meeting and in any event will terminate not later than 15 months after the passing of the resolution.

Scrip dividend

In **Resolution 9** at the Annual General Meeting the company is seeking authority for the directors to exercise the power contained in the Articles of Association to permit the shareholders to elect to receive shares instead of all or part of the final dividend and to capitalise the appropriate amount of additional ordinary shares falling to be allotted pursuant to the election out of the distributable profits of the company which would have been distributed to members by way of cash dividend.

Purchase of own ordinary shares

The effect of **Resolution 10** to be proposed at the Annual General Meeting would be to give the company, for a period of one year, a general authority to purchase a maximum of 3,880,368 of its own Ordinary Shares of 10 pence each (representing approximately 5 per cent of the company’s issued share capital). The minimum price (exclusive of expenses) which the company would be authorised to pay for each Ordinary Share would be 10 pence (the nominal value of each Ordinary Share). The maximum price (again exclusive of expenses) which the company would be authorised to pay would be not more than 5 per cent above the average middle market value (as derived from the London Stock Exchange Daily Official List) for such Ordinary Share for the five business days preceding the purchase.

If granted the authority would only be exercised if to do so would result in an increase in earnings per share or asset values per share and would be in the best interests of shareholders generally.

Going concern

The directors confirm that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the accounts.

Other matters

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

Baker Tilly have expressed their willingness to continue in office as auditors. A proposal will be made at the Annual General Meeting for their re-appointment.

By order of the board
M C Stevens, Secretary
8-10 New Fetter Lane
London EC4A 1AF
12 March 2001

Directors' responsibility statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for the year.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then to apply them consistently:
- make judgements and estimates that are reasonable and prudent:
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements: and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report to the shareholders of London & Associated Properties PLC

We have audited the financial statements on pages 24 to 38 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 29. We have also examined the amounts disclosed relating to remuneration and share options of the directors which form part of the directors report on page 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 21, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, The Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statements on pages 17 to 19 reflect the company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the company's or the group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditors
12 March 2001

2 Bloomsbury Street
London WC1B 3ST

Valuers' certificates

To the Directors of London & Associated Properties PLC
In accordance with your instructions we have carried out a valuation of the freehold and leasehold property interests held as at 31 December 2000 by the company as detailed in our Valuation Report dated 5 March 2001.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2000 of these interests was:

	£000
Freehold	43,025
Leasehold	45,360
	88,385

London | **Allsop & Co.**
5 March 2001 | Chartered Surveyors

To the Directors of London & Associated Properties PLC
In accordance with your instructions we have carried out a valuation of the freehold and leasehold property interests held as at 31 December 2000 by the company as detailed in our Valuation Report dated 23 February 2001.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2000 of these interests was:

	£000
Freehold	5,788
Leasehold	–
	5,788

Leeds | **Hill Woolhouse**
23 February 2001 | Chartered Surveyors

Consolidated profit and loss account

for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Revenue:			
Property:			
Income	1	**8,816**	7,911
Less – ground rents		**(423)**	(406)
– direct property expenses		**(918)**	(901)
– attributable overheads	2	**(1,458)**	(1,330)
		6,017	5,274
Listed investments:			
Investment sales		**721**	619
Cost of sales		**(517)**	(381)
		204	238
Dividends receivable		**97**	113
Less – attributable overheads	2	**(13)**	(12)
		288	339
Operating profit	1	**6,305**	5,613
Share of operating profit of associate		**157**	1
Share of operating profit of joint venture		**132**	113
		6,594	5,727
Interest receivable		**63**	48
Interest payable	4	**(4,499)**	(3,665)
Exceptional items	5	**14**	(10)
Profit on ordinary activities before taxation		**2,172**	2,100
Taxation on profit on ordinary activities	6	**334**	531
Profit on ordinary activities after taxation		**1,838**	1,569
Dividend	7	**932**	840
Retained profit for the year	19	**906**	729
Earnings per share – basic	9	**2.39p**	2.06p
– fully diluted	9	**2.29p**	1.98p
Dividend per share	7	**1.20p**	1.10p

The revenue and operating profit for the year derives from continuing operations.

Balance sheets

at 31 December 2000

		Group		Company	
		2000	1999	**2000**	1999
	Notes	**£000**	£000	**£000**	£000
Fixed Assets					
Tangible assets	10	**100,121**	96,273	**100,121**	96,273
Investments	11	**3,568**	3,294	**538**	547
		103,689	99,567	**100,659**	96,820
Current assets					
Debtors	12	**1,809**	1,485	**1,809**	1,485
Investments at cost	13	**2,405**	2,451	**2,405**	2,451
(**Market value £3,278,000** (1999: £3,773,000))					
Bank balances		**493**	1,085	**493**	1,085
		4,707	5,021	**4,707**	5,021
Creditors					
Amounts falling due within one year	14	**(11,579)**	(11,121)	**(11,594)**	(11,135)
Net current liabilities		**(6,872)**	(6,100)	**(6,887)**	(6,114)
Total assets less current liabilities		**96,817**	93,467	**93,772**	90,706
Creditors					
Amounts falling due after more than one year	15	**(47,838)**	(48,121)	**(47,838)**	(48,121)
Provisions for liabilities and charges	17	**(110)**	(94)	**(110)**	(94)
Net assets		**48,869**	45,252	**45,824**	42,491
Capital and reserves					
Share capital	18	**7,761**	7,638	**7,761**	7,638
Share premium account	19	**4,068**	3,912	**4,068**	3,912
Capital redemption reserve	19	**15**	15	**15**	15
Revaluation reserve	19	**25,658**	23,211	**23,424**	21,265
Other reserves	19	**429**	429	–	–
Retained earnings	19	**10,938**	10,047	**10,556**	9,661
Shareholders' funds		**48,869**	45,252	**45,824**	42,491

These financial statements were approved by the board of directors on 12 March 2001 and signed on its behalf by:

M A Heller
M C Stevens
Directors

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Profit for the financial year	**1,838**	1,569
Currency translation difference on foreign currency net investments of associate	**(35)**	(2)
Increase on revaluation of investment properties		
Company	**2,159**	3,130
Associate and joint venture	**308**	406
Total gains and losses recognised in the year	**4,270**	5,103

Note of historical cost profits and losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	**2,172**	2,100
Share of realisation of property revaluation gains of previous years		
Company	**–**	150
Associate and joint venture	**20**	–
Historical cost profit on ordinary activities before tax	**2,192**	2,250
Retained historical cost profit for the year	**926**	879

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2000

	2000 £000	1999 £000
Profit for the financial year	**1,838**	1,569
Dividend	**(932)**	(840)
Retained profit for the year	**906**	729
Associate's currency translation difference on foreign currency net investments	**(35)**	(2)
Unrealised changes on revaluation of investment properties	**2,467**	3,536
Shares issued	**123**	59
Share premium account movements	**156**	103
	3,617	4,425
Shareholders' funds at 1 January 2000	**45,252**	40,827
Shareholders' funds at 31 December 2000	**48,869**	45,252

Consolidated cash flow statement

for the year ended 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Net cash inflow from operating activities	20a		**6,349**		6,636
Returns on investments and servicing of finance					
Interest received		**52**		44	
Interest paid		**(4,367)**		(3,559)	
Net cash outflow from returns on investments and servicing of finance			**(4,315)**		(3,515)
Taxation					
Corporation tax			**(647)**		(111)
Capital expenditure and financial investment					
Redemption of fixed asset investment		**9**		–	
Sale of properties		**20**		391	
Sale of office equipment and motor cars		**15**		–	
Purchase of properties		**(1,805)**		(17,640)	
Purchase of office equipment and motor cars		**(114)**		(44)	
Net cash (outflow) inflow for capital expenditure and financial investment			**(1,875)**		(17,293)
Equity dividends paid			**(557)**		(591)
Net cash (outflow) inflow before use of liquid resources and financing			**(1,045)**		(14,874)
Net cash outflow from management of liquid resources					
Repayment of short term loan from joint venture			**95**		–
Financing					
Issue expenses		**(5)**		(5)	
Drawdown of bank loan		**–**		14,000	
Repayment of medium term bank loan		**(200)**		–	
Net cash inflow (outflow) from financing			**(205)**		13,995
(Decrease) increase in cash in the period			**(1,155)**		(879)

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
(Decrease) in cash in the period		**(1,155)**	(879)
Net cash outflow(inflow) from increase in debt		**200**	(14,000)
		(955)	(14,879)
Other movements on current asset investments		**(46)**	29
Movement in net debt in the period		**(1,001)**	(14,850)
Net debt at 1 January 2000		**(48,736)**	(33,886)
Net debt at 31 December 2000	20b	**(49,737)**	(48,736)

Accounting policies

The following are the main accounting policies of the group:

Accounting convention
The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and are prepared in accordance with applicable accounting standards. The accounting policies adopted have been consistently applied in both 1999 and 2000.

Basis of consolidation
The consolidated financial statements comprise:
(a) The financial statements of the company and its three subsidiaries made up to 31 December.
(b) The group's share of the results of its associate and joint venture for the year ended 31 December, and of their net assets at the balance sheet date.

Revenue
Revenue comprises rental income, listed investment sales, dividends and other income.

Dividends receivable
Dividends are credited to the profit and loss account when the dividend is received.

Tangible fixed assets
a) Investment properties
i) The investment property portfolio is included in the financial statements at open market valuation. An external professional valuation is carried out at least every five years, but is currently carried out every year. In accordance with SSAP 19 no amortisation or depreciation is provided in respect of freehold or long leasehold properties, which is not in accordance with the requirements of the Companies Act 1985, but necessary in order to show a true and fair view.

ii) The cost of improvements includes attributable interest (Notes 4 and 10) incurred up to the time that the improvements are completed and generating income.

b) Other tangible fixed assets
Depreciation is provided on all other tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life. The rates generally used are – office equipment – 10 to 20 per cent per annum, and motor cars – 20 per cent per annum, on the straight line basis.

Investments
(a) Investments held as fixed assets:
These comprise investments in, Bisichi Mining PLC (listed associate), and Dragon Retail Properties Limited (unlisted joint venture) and in unlisted companies which are all held for the long term. Details of the investments in Bisichi Mining PLC and Dragon Retail Properties Limited are set out in Note 11.

(b) Investments held as current assets:
(i) These comprise listed investments which are stated at the lower of cost or net realisable value, on a portfolio basis.

(ii) Net profits or losses on realisation of these investments are carried to the profit and loss account as part of the operating profit.

Deferred taxation
Taxation deferred or accelerated by the effect of timing differences is accounted for on the liability method to the extent that it is probable that a liability will crystallise.
No provision is made for the taxation which might arise if investment properties were to be realised at their book values at the balance sheet date as the properties are held as long-term investments. The potential liability is set out in the provision for liabilities and charges note to the financial statements.

Operating leases
All leases are "Operating Leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term, subject to the provisions of UITF 12.

Pensions
The company has several defined contribution pension schemes. Premiums are charged to the period in which they accrue. The company does not operate any defined benefit schemes.

Notes to the financial statements

31 December 2000

1 Segmental analysis

	Revenue		Operating profit		Net operating assets	
	2000	1999	**2000**	1999	**2000**	1999
	£000	£000	**£000**	£000	**£000**	£000
Property	**8,816**	7,911	**6,017**	5,274	**43,966**	40,852
Listed investments	**818**	732	**288**	339	**2,405**	2,451
Fixed asset investments	**–**	–	**–**	–	**7**	16
Net non-operating liabilities	**–**	–	**–**	–	**(1,070)**	(1,345)
Group total	**9,634**	8,643	**6,305**	5,613	**45,308**	41,974
Share of associate	**1,540**	1,305	**157**	1	**2,802**	2,642
Share of joint venture	**169**	140	**132**	113	**759**	636
Group, associate and joint venture	**11,343**	10,088	**6,594**	5,727	**48,869**	45,252

2 Attributable overheads

	2000	1999
Attributable overheads have been allocated to the appropriate operating activity, and include:	**£000**	£000
Depreciation on tangible fixed assets	**93**	107
Auditors' remuneration – audit fee	**22**	26
– other fees	**5**	1
Operating lease rentals – land and buildings	**197**	114

3 Directors' emoluments

	2000	1999
	£000	£000
Emoluments	**469**	429

Details of directors' emoluments and share options are set out in the director's report on page 18.

4 Interest payable

	2000	1999
On borrowings of 5 years and less	**£000**	£000
Interest on loans and overdrafts	**250**	157
Other interest payable	**14**	13
Less: attributable to property improvement	**(39)**	(74)
	225	96
Associate	**98**	86
Joint venture	**104**	95
	427	277
On borrowings of more than 5 years		
Debenture stocks	**2,208**	2,208
Long term bank loan	**1,864**	1,180
	4,072	3,388
Total interest payable	**4,499**	3,665

5 Exceptional items

	2000	1999
	£000	£000
Profit (loss) on sale of:		
Freehold property	**20**	17
Associate – investment	**(6)**	(27)
	14	(10)

Notes to the financial statements continued

31 December 2000

6 Taxation	2000 £000	1999 £000
Based on the results of the year:		
Corporation Tax at 30 per cent (1999: 30 per cent)	**397**	496
Tax attributable to franked investment income	**–**	22
Deferred taxation (Note 17)	**16**	(17)
Adjustment in respect of previous years	**(116)**	–
	297	501
Associate	**28**	26
Joint venture	**9**	4
	334	531

The tax charge for both 2000 and 1999 has also been reduced due to the effect of accelerated capital allowances.

7 Dividends	2000 Per share	2000 £000	1999 Per share	1999 £000
Proposed final dividend	**1.20p**	**932**	1.10p	840

8 Profit attributable to London & Associated Properties PLC	2000 £000	1999 £000
Dealt with in the financial statements of:		
London & Associated Properties PLC	**895**	892
Associate	**(17)**	(179)
Joint venture	**28**	16
	906	729

In accordance with the exemption conferred by Section 230(3) of the Companies Act 1985, the company has not presented its own profit and loss account.

9 Earnings per share

Earnings per share have been calculated as follows:

	Earnings		Shares in issue		Earnings per share	
	2000 £000	1999 £000	**2000 '000**	1999 '000	**2000 Pence**	1999 Pence
Group profit on ordinary activities after tax	**1,838**	1,569				
Weighted average share capital for the year			**76,953**	76,060		
Basic earnings per share	**1,838**	1,569	**76,953**	76,060	**2.39**	2.06
Adjustments:						
Conversion of debenture stock	**43**	43	**4,640**	4,640		
Issue of outstanding share options	**25**	25	**1,767**	1,777		
Fully diluted earnings per share	**1,906**	1,637	**83,360**	82,477	**2.29**	1.98

Notes to the financial statements

31 December 2000

10 Tangible fixed assets

Group and company	Total	Investment properties Freehold	Investment properties Long leasehold	Office equipment and motor vehicles
	£000	£000	£000	£000
Cost or valuation at 1 January 2000	96,726	48,128	47,730	868
Increase on revaluation	2,159	1,917	242	–
Additions	1,788	1,351	308	129
Disposals	(75)	–	–	(75)
Cost or valuation at 31 December 2000	**100,598**	**51,396**	**48,280**	**922**
Representing assets stated at :				
Valuation	99,676	51,396	48,280	–
Cost	922	–	–	922
	100,598	**51,396**	**48,280**	**922**
Depreciation at 1 January 2000	453	–	–	453
Charge for the year	93	–	–	93
Disposals	(69)	–	–	(69)
Depreciation at 31 December 2000	**477**	**–**	**–**	**477**
Net book value at 1 January 2000	96,273	48,128	47,730	415
Net book value at 31 December 2000	**100,121**	**51,396**	**48,280**	**445**

Ninety four per cent of freehold and long leasehold properties were valued as at 31 December 2000 by external professional firms of chartered surveyors, the balance being valued by the directors. The valuations were made at open market value on the basis of existing use. The increase in book value was transferred to revaluation reserve.

	£000
Allsop & Co, Chartered Surveyors	**88,385**
Hill Woolhouse, Chartered Surveyors	**5,788**
Directors' valuations	**5,503**
	99,676

The historical cost of investment properties, including total capitalised interest of £679,000 (1999 : £640,000) was as follows:

	Freehold	Long leasehold
	£000	£000
Cost at 1 January 2000	36,229	38,364
Additions	1,351	308
Cost at 31 December 2000	**37,580**	**38,672**

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

Notes to the financial statements continued

31 December 2000

11 Investments

Group	Total £000	Investment in associate £000	Investment in joint venture £000	Unlisted investments Shares £000	Unlisted investments Loan stock £000
Cost or valuation at 1 January 2000	3,294	2,642	636	7	9
Increase in share of assets of associate and joint venture	283	160	123	–	–
Repaid	(9)	–	–	–	(9)
Cost or valuation at 31 December 2000	**3,568**	**2,802**	**759**	**7**	**0**

Company	Total £000	Shares in subsidiary companies £000	Shares in associate £000	Shares in joint venture £000	Unlisted investments Shares £000	Unlisted investments Loan stock £000
Cost at 1 January 2000	547	9	358	164	7	9
Repaid	(9)	–	–	–	–	(9)
Cost at 31 December 2000	**538**	**9**	**358**	**164**	**7**	**0**

Subsidiary companies

The company owns 100 per cent of the ordinary share capital of the following dormant companies, all of which are registered in England and Wales:

- Analytical Investment Advisors Limited
- London & African Investments Limited
- London & Associated Securities Limited
- London & Associated Limited

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

Associate Bisichi Mining PLC – listed mining and property investment company		**2000 £000**	1999 £000
Group share of :	Turnover	**1,540**	1,305
	Profit (Loss) before tax	**34**	(221)
	Taxation	**(28)**	(26)
	Profit after tax	**6**	(247)
	Fixed assets	**4,143**	3,983
	Current assets	**431**	378
	Liabilities due within one year	**(937)**	(863)
	Liabilities due in over one year	**(835)**	(856)
	Net assets	**2,802**	2,642

The company owns 42 per cent (1999 – 42 per cent) of the issued share capital of Bisichi Mining PLC, a company registered in England and Wales. Bisichi Mining has issued share capital of 10,451,506 ordinary shares of 10p each, and its principal countries of operation are the United Kingdom (property investment) and South Africa (coal mining). The company has an independent board of directors which controls its operating and financial policies.

The market value of this investment at 31 December 2000 was £1,502,734 (1999: £1,284,947).

Joint venture Dragon Retail Properties Limited – unlisted property investment company.		**2000 £000**	1999 £000
Group share of :	Turnover	**169**	140
	Profit before tax	**37**	19
	Gross assets	**2,847**	1,989
	Gross liabilities	**(2,088)**	(1,353)
	Net assets	**759**	636

The company owns 50 per cent of the issued share capital of Dragon Retail Properties Limited. The remaining 50 per cent. is owned by Bisichi Mining PLC. The company is incorporated and operates in England and Wales and has issued share capital of 500,000 ordinary shares of £1 each (1999:500,000 ordinary shares of £1 each).

The company has an independent board of directors which controls its operating and financial policies.

Notes to the financial statements

31 December 2000

12 Debtors

Group and company	**2000**	1999
	£000	£000
Trade debtors	**1,112**	921
Amounts due from associate and joint venture	**262**	176
Other debtors	**65**	89
Prepayments and accrued income	**370**	299
	1,809	1,485

13 Investments held as current assets	**2000**	1999
Group and company	**£000**	£000
Market value of the listed investment portfolio	**3,278**	3,773
Unrealised excess of market value over cost	**873**	1,322
Listed investment portfolio at cost.	**2,405**	2,451

All investments are listed on the London Stock Exchange.

14 Creditors: Amounts falling due within one year	**Group**		**Company**	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Bank overdrafts (unsecured)	**4,135**	3,572	**4,135**	3,572
Bank loan (secured)	**300**	200	**300**	200
Amounts owed to subsidiary companies	**–**	–	**15**	14
Amounts owed to joint venture	**166**	71	**166**	71
Corporation tax	**139**	505	**139**	505
Other taxation and social security costs	**814**	914	**814**	914
Proposed dividend	**931**	840	**931**	840
Other creditors	**715**	628	**715**	628
Accruals and deferred income	**4,379**	4,391	**4,379**	4,391
	11,579	11,121	**11,594**	11,135

15 Creditors: Amounts falling due after more than one year

Group and company	**2000**	1999
	£000	£000
Term borrowings		
Debenture stocks		
£0.58 million 10½ per cent Convertible Debenture Stock 2010	**580**	580
£0.42 million 10½ per cent Non-convertible Debenture Stock 2010	**420**	420
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**5,000**	5,000
£1.7 million First Mortgage Debenture Stock 2016 at 8.67 per cent	**1,700**	1,700
£5 million First Mortgage Debenture Stock 2018 at 11.6 per cent	**5,000**	5,000
£10 million First Mortgage Debenture Stock 2022 at 8.109 per cent *	**9,638**	9,621
	22,338	22,321
Long term bank loans	**25,500**	25,800
	47,838	48,121

*The £10 million debenture is shown after deduction of un-amortised issue costs in accordance with FRS4.
Interest payable on the bank loans is variable being based upon the London interbank market rate plus margin.

a) Convertible and Non-convertible Debenture Stocks 2010
The convertible debenture stock may be converted at the option of the holder in any year until 2009 on the conditions set out in the trust deed into fully paid ordinary shares at the rate of £120 of nominal ordinary share capital for each £150 nominal of convertible debenture stock.
These debenture stocks are secured by a floating charge over group assets, and a second charge on specific properties charged under the First Mortgage Debenture Stocks 2013, 2016 and 2018.

b) First Mortgage Debenture Stocks 2013, 2016 , 2018 and 2022
The first mortgage debenture stocks are secured by first charges on specific freehold and long leasehold properties and floating charges.

c) A long term bank loan facility of £21,000,000 was negotiated in July 1999 and is repayable in nineteen six monthly instalments with the balance of £17.75 million repayable in 2009. A further long term bank loan of £5,000,000 was negotiated and drawn down in December 1997, which is repayable in equal instalments between 2003 and 2017.
Both the medium and long term bank loans are secured by first charges on specific properties.

Notes to the financial statements continued

31 December 2000

16 Financial instruments
The group has taken advantage of the exemption under FRS13 that short term debtors and creditors be excluded from the following disclosures.

Financial assets maturity
On 31 December 2000, cash at bank and in hand amounted to £493,000 (1999: £1,085,000) which is invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates.

Financial liabilities maturity

	Group and Company	
	2000	1999
	£000	£000
Repayment of borrowings		
Bank loans and overdrafts:		
Repayable within one year	**4,435**	3,772
Repayable between two and five years	**2,100**	1,800
Repayable after more than five years	**23,400**	24,000
	29,935	29,572
Debentures		
Repayable after more than five years	**22,700**	22,700
	52,635	52,272

The group has undrawn banking facilities at 31 December 2000 of £7,865,000 (1999: £8,428,000), which expire within one year.

Interest rate risk
56.9% (£29,935,000) (1999: 56.6% (£29,572,000)) of the group's borrowings is at variable rates of interest with the remaining 43.1% (£22,700,000) (1999: 43.4% (£22,700,000)) at fixed rates of interest. The fixed rate and weighted average period for which the borrowing is fixed is 9.73% (1999: 9.73%) and 17.2 (1999: 18.2 years) years respectively. The group's floating rate debt bear interest based on LIBOR.

Fair values

Fair value of the group's financial liabilities:	Book value £000	Market value £000	**2000 Fair value adjustment £000**	1999 Fair value adjustment £000
Debenture stock	22,700	27,940	**(5,240)**	(4,316)
Tax at 30% (1999: 30%)			**1,572**	1,295
Post tax fair value adjustment			**(3,668)**	(3,021)
Post tax fair value adjustment – basic pence per share			**(4.73)**	(3.96)

The fair values were calculated by the directors as at 31 December 2000 and reflect the replacement value of the financial instruments used to manage the group's exposure to adverse rate movements. The bank loans and overdrafts are at variable rates and there is therefore no material difference between book values and market values.

17 Provisions for liabilities and charges		**2000**	1999
Group and company		**£000**	£000
Balance at 1 January 2000		**94**	111
Deferred taxation – charged in the financial year (Note 6)		**16**	(17)
Balance at 31 December 2000		**110**	94
This comprises:	Short term timing differences	**114**	116
	Capital allowances	**(4)**	(22)
		110	94

No provision has been made for the approximate taxation liability of £3,606,000 (1999: £3,392,000) arising if the investment properties were sold at the stated valuation.

Notes to the financial statements

31 December 2000

18 Share capital	**2000** **£000**	1999 £000
Authorised: 110,000,000(1999:110,000,000) ordinary shares of 10p each	**11,000**	11,000
Allotted, issued and fully paid: 77,607,359 (1999:76,380,042) shares of 10p each	**7,761**	7,638

In July 2000 1,227,317 ordinary shares were issued to shareholders who had elected to receive shares in lieu of a final dividend in cash. This represented a reduction in the cash dividend of £283,000 of which £160,000 was credited to the share premium account.

Share Option Schemes
Employees' Share Option Scheme
At 31 December 2000 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the Employees' Share Option Scheme :

Number of Shares	Option Price	Normal Exercise Date
580,000	28.5p	28 May 1996 to 27 May 2003
210,000	42.5p	10 May 1998 to 9 May 2004
156,600	38.5p	14 May 2000 to 13 May 2007
370,000	21.75p	6 November 2001 to 5 November 2008
1,316,600		

This share option scheme was approved by members in 1986, and has been approved by the Board of Inland Revenue. A summary of the shares allocated and options issued under the scheme up to 31 December 2000 is as follows:

Shares issued to date	1,111,804
Options granted which have not been exercised	1,316,600
Shares allocated over which options have not yet been granted	1,699,955
Total shares allocated for issue to employees under the scheme	4,128,359

Non-approved Executive Share Option Scheme
A share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have Inland Revenue approval was set up during 2000. At 31 December 2000 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the scheme:

Number of Shares	Option Price	Normal Exercise Date
450,000	25.66p	8 March 2002 to 7 March 2009

A summary of the shares allocated and options issued under the scheme up to 31 December 2000 is as follows:

Shares issued to date	–
Options granted which have not been exercised	450,000
Shares allocated over which options have not yet been granted	550,000
Total shares allocated for issue to employees under the scheme	1,000,000

Notes to the financial statements continued

31 December 2000

19 Reserves

	Share premium account £000	Capital redemption reserve £000	Re–valuation reserve £000	Other reserves £000	Retained earnings £000
Group					
Balance at 1 January 2000	3,912	15	23,211	429	10,047
Surplus on valuation of investment properties	–	–	2,467	–	–
Premium on shares issued	161	–	–	–	–
Issue expenses	(5)	–	–	–	–
Retained profit for year	–	–	–	–	906
Currency translation difference on foreign currency net investments	–	–	–	–	(35)
Transfer of realised revaluation profit	–	–	(20)	–	20
Balance at 31 December 2000	4,068	15	25,658	429	10,938
Company					
Balance at 1 January 2000	3,912	15	21,265	–	9,661
Surplus on valuation of investment properties	–	–	2,159	–	–
Premium on shares issued	161	–	–	–	–
Issue expenses	(5)	–	–	–	–
Retained profit for year	–	–	–	–	895
Balance at 31 December 2000	4,068	15	23,424	–	10,556

20 Cash flow statement notes

a) Reconciliation of operating profit to net cash inflow from operating activities:

	2000 £000	1999 £000
Operating profit	**6,305**	5,613
Depreciation charges	**93**	107
(Profit) on disposal of fixed assets	**(9)**	–
Dividend from associated company	**44**	48
(Increase) decrease in debtors	**(333)**	(182)
Increase in creditors	**203**	1,079
Decrease (increase) in current asset investments	**46**	(29)
	6,349	6,636

b) Analysis of net debt

	At 1 January 2000 £000	Cash flow £000	Other movements £000	At 31 December 2000 £000
Bank balances in hand	1,085	(592)	–	493
Bank overdrafts	(3,572)	(563)	–	(4,135)
Debt due within one year	(200)	200	(300)	(300)
Debt due after one year	(48,500)	–	300	(48,200)
Current asset investments	2,451	–	(46)	2,405
	(48,736)	(955)	(46)	(49,737)

Notes to the financial statements

31 December 2000

21 Related party transactions

	Costs recharged to related party £000	Amounts owed by (to) related party £000	Cash advanced to (by) related party £000
Related party:			
Bisichi Mining PLC	259	195	–
Dragon Retail Properties Limited			
Current account	23	67	–
Loan account	(8)	(166)	(95)
Totals at 31 December 2000	**274**	**96**	**(95)**
Totals at 31 December 1999	271	105	(12)

The related parties are the associate and joint venture and are treated as fixed asset investments – details are shown in Note 11.

Bisichi Mining PLC (associate)
The company provides office premises, property management, general management, accounting and administration services for Bisichi Mining PLC and its subsidiaries.

Dragon Retail Properties Limited (joint venture)
Dragon Retail Properties Limited (Dragon) is owned 50 per cent by the company, and 50 per cent by Bisichi Mining PLC.

The company provides office premises, property management, general management, accounting and administration services for Dragon.

Dragon has surplus cash which is deposited with London & Associated Properties PLC. The deposit bears interest at a variable rate related to bank base rates. Interest earned on the loan for the year amounted to £9,000 (1999: £4,000) none of which was accrued at 31 December 2000 (1999: £nil).

London & Associated Properties PLC and Bisichi Mining PLC each provided a guarantee in respect of the bank loan up to a maximum of £250,000 each.

22 Employees
The average number of employees, including directors, of the group during the year involved in management and administration was 36 (1999: 34)

	2000 £000	1999 £000
Staff costs during the year were as follows:		
Salaries and other costs	**873**	809
Social security costs	**108**	96
Pension costs	**76**	72
	1,057	977

The company operates a number of defined contribution pension arrangements for individual employees through insurance companies. The pension costs shown above represent the contributions payable by the company.

23 Capital commitments	2000	1999
Group and company	£000	£000
Commitments to capital expenditure contracted for at the year end	291	–

24 Commitments under operating leases
At 31 December 2000 the group and the company had annual commitments under non-cancellable operating leases, on land and buildings expiring in more than 5 years totalling £197,070 (1999:£159,000). In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £434,000 (1999:£408,000), the leases on which expire in more than fifty years.

25 Contingent liabilities
The company has provided a guarantee in respect of a bank loan up to a maximum of £250,000 to Dragon Retail Properties Limited, a joint venture company.

Notice of Annual General Meeting

NOTICE is hereby given that the Sixty First Annual General Meeting of London & Associated Properties PLC will be held at the company's offices at 8-10 New Fetter Lane, London EC4A 1AF on Wednesday 6 June 2001 at 12 noon for the transaction of the following business:

Ordinary business

1 To receive and adopt the directors' report, annual accounts and auditors report for the year ended 31 December 2000. **(Resolution 1)**

2 To declare and approve a final dividend. **(Resolution 2)**

3 To re-elect as a director L C J Brown **(Resolution 3)**

4 To re-elect as a director R J Corry **(Resolution 4)**

5 To re-elect as a director J A Heller **(Resolution 5)**

6 To reappoint Baker Tilly as auditors. **(Resolution 6)**

7 To authorise the directors to determine the remuneration of the auditors. **(Resolution 7)**

Special business

To consider and, if thought fit, pass the following resolutions of which Resolution 9 will be proposed as an Ordinary Resolution, and Resolutions 8 and 10 will be proposed as Special Resolutions:

8 That the directors be and they are hereby authorised pursuant to section 95 of the Companies Act 1985 (the Act) to allot equity securities (within the meaning of section 94(2) of the said Act) for cash pursuant to the authority conferred upon them for the purposes of section 80 of the Act by the ordinary resolution of the company passed on 5 June 1996 as if section 89(1) of the said Act did not apply to any such allotment and provided that this power shall be limited:

(a) to allotments of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares of 10p each in the company (Ordinary Shares) and, if in accordance with their rights the directors so determine, holders of 10.5 per cent Convertible Debenture Stock 2010 (Convertible Stock holders) where the equity securities are allotted in proportion (or as nearly as may be) to the respective number of Ordinary Shares held by them (and in the case of the Convertible Stock holders on the basis that their holdings had been converted into Ordinary Shares on the basis then applicable) on the record date fixed by the directors provided that the directors may make such arrangements and exclusions to deal with fractional entitlements and with legal or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory as they consider necessary and expedient; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) of this resolution) of equity securities wholly for cash up to an aggregate nominal amount of £388,037 representing approximately 5 per cent of the issued capital of the company; and

(c) to the allotment for cash of up to 2,000,000 Ordinary Shares in connection with the scrip dividend offer and (unless previously renewed, revoked or varied) such power shall expire on the earlier of the conclusion of the next Annual General Meeting of the company and the date which is 15 months from the passing of this resolution, save that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired. **(Resolution 8)**

9 The directors be and are hereby authorised:

(a) To exercise the power contained in Article 140b of the Articles of Association of the company so that to the extent determined by the directors, the holders of Ordinary Shares be permitted to elect to receive new Ordinary Shares of 10p each in the company, credited as fully paid,

Notice of Annual General Meeting continued

instead of all or part of the final dividend for the twelve months ended 31 December 2000 (declared above).

(b) To capitalise the appropriate nominal amount of additional Ordinary Shares falling to be allotted pursuant to elections made as aforesaid, out of the distributable profits of the company which would have been distributed to members by dividend in cash, to apply such sum in paying up such Ordinary Shares and to allot such Ordinary Shares to members of the company who shall have validly so elected. **(Resolution 9)**

10 That the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of Ordinary Shares of 10 pence each in the capital of the company provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 3,880,368 (representing approximately 5 per cent of the company's issued Ordinary Share Capital);

(b) the minimum price which may be paid for such Ordinary Shares is 10 pence per share (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than 5 per cent above the average of the middle market values of an Ordinary Share in the company as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased:

(d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company to be held in 2002 or within 12 months from the date of passing this resolution, whichever shall be the earlier; and

(e) the company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts. **(Resolution 10)**

8-10 New Fetter Lane
London EC4A 1AF
Registered in England & Wales – Number 341829
12 March 2001

By order of the board
M.C.STEVENS
Secretary

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company.
2. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 48 hours before the time fixed for the meeting or if the meeting is adjourned not later than 48 hours before the time fixed for the adjourned meeting.
3. Completion and return of a proxy form will not preclude ordinary shareholders from attending and voting at the meeting if they wish. A form of proxy is enclosed for use by shareholders.
4. The following documents will be available for inspection at the Registered Office of the company on any weekday during normal business hours and will also be available from 11.45am on the day of the meeting until the close of the meeting:
   a) A register in which are recorded all transactions of each director and of their family interests in the share capital of the company.
   b) A copy, or a memorandum of the terms, of every service contract between the company or any of its subsidiaries and any director of the company.

Ten year financial summary

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Consolidated balance sheet										
Fixed assets:										
Properties and other tangible assets	**100.12**	96.27	75.62	75.83	65.19	64.26	57.50	44.14	34.06	33.20
Investments	**3.57**	3.30	3.05	3.01	2.78	2.77	2.77	2.82	2.64	2.27
	103.69	99.57	78.67	78.84	67.97	67.03	60.27	46.96	36.70	35.47
Current assets:										
Debtors	**1.81**	1.48	1.29	1.33	1.89	2.15	1.53	1.48	1.05	0.98
Investments at cost	**2.41**	2.45	2.42	2.42	2.26	2.62	2.49	2.21	1.88	1.65
Bank balances	**0.49**	1.08	2.07	0.06	2.05	3.04	3.05	3.31	3.09	2.93
Total assets	**108.40**	104.58	84.45	82.65	74.17	74.84	67.34	53.96	42.72	41.03
Liabilities and creditors	**(11.58)**	(11.12)	(9.17)	(8.73)	(8.50)	(9.67)	(8.00)	(5.79)	(4.66)	(4.15)
Term borrowings	**(47.84)**	(48.12)	(34.34)	(34.32)	(28.95)	(28.70)	(21.20)	(13.50)	(11.00)	(11.00)
Provisions for liabilities and charges	**(0.11)**	(0.09)	(0.11)	–	–	–	–	–	–	–
	48.87	45.25	40.83	39.60	36.72	36.47	38.14	34.67	27.06	25.88
Adjustment of current asset investments to market value	**0.87**	1.32	0.72	1.15	1.02	0.62	0.42	0.93	0.26	0.12
Consolidated net assets*	**49.74**	46.57	41.55	40.75	37.74	37.09	38.56	35.60	27.32	26.00

Consolidated profit and loss account

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Profit before tax	**2.17**	2.10	2.01	1.82	1.76	1.73	1.71	1.52	1.10	1.02
Taxation	**0.33**	0.53	0.47	0.01	0.05	0.36	0.31	0.48	0.48	0.38
Profit attributable to shareholders	**1.84**	1.57	1.54	1.81	1.71	2.09	1.40	1.04	0.62	0.64
Dividend	**0.93**	0.84	0.76	0.68	0.59	0.53	0.50	0.47	0.40	0.37

Values per share	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991
	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Net assets per share *										
– Basic	**64.09**	60.98	54.81	53.97	50.18	50.27	52.50	48.64	39.14	38.47
– Fully diluted+	**60.50**	57.57	52.00	51.35	47.82	47.41	49.38	45.90	37.24	36.62
Earnings per share	**2.39**	2.06	2.04	2.40	2.29	1.87	1.91	1.48	0.90	1.13
Dividend	**1.20**	1.10	1.00	0.90	0.78	0.72	0.68	0.64	0.58	0.53

* Including the investment portfolio at market value.

+ Based on net assets including the investment portfolio at market value, conversion of convertible debt and issue of share options.

Group including Bisichi Mining PLC

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total assets *	**122**	117	95	91	81	81	72	59	47	45
Net assets*	**54**	51	46	44	41	41	42	39	30	29