LONDON & ASSOCIATED PROPERTIES PLC

LAP R&A 2002

CONTENTS

FINANCIAL CALENDAR

Annual General Meeting
Wednesday 4 June 2003

Payment of final dividend for 2002 (if approved)
Friday 11 July 2003

Announcement of interim results to 30 June 2003
September 2003

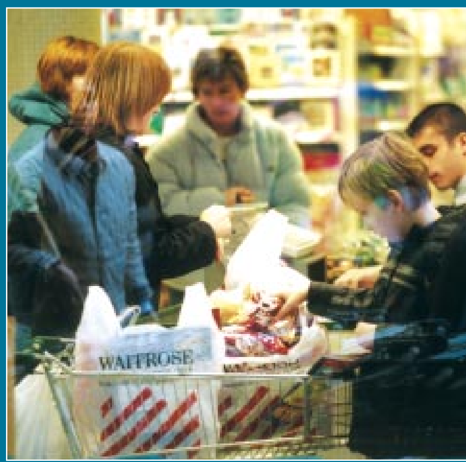
Announcement of results for the year ended 31 December 2003
Mid March 2004

King Edward Court, Windsor, acquired during 2002 for £45.3 million. We expect substantial growth following implementation of our asset management initiatives

windsor


SONY

JAEGER


KING
EDWARD
COURT
SHOPPING
CENTRE
1997

WAITROSE

Fenwick

www.laprops.co.uk

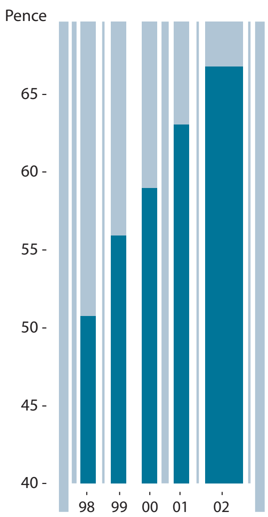
HIGHLIGHTS OF THE YEAR

"Once again LAP has grown progressively through intensive management of the core shopping centres together with well-timed and profitable disposals of certain mature investments. The cash and facilities we have in place, together with our joint venture vehicle, give us tremendous ability to make further suitable acquisitions. At the same time, our existing centres continue to perform well and we are growing our rent roll. In light of this progress I continue to view the future with great confidence."

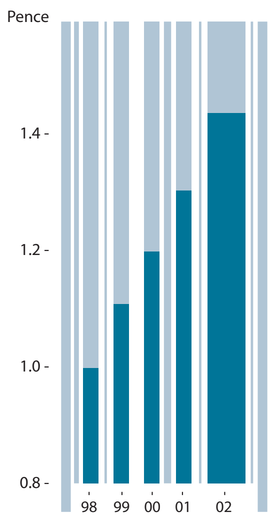
John Heller Chief Executive

- Pre-tax profits rise by 5.3% to £2.45 million
- Net asset value per share increases by 6.1% to 67.0p
- A final dividend of 1.425p per share, an increase of 10%, reflecting a five year compound growth of 9%
- £160 million of shopping centres under management for Group
- Estimated Rental Value of LAP's properties stands at £9.1 million pa
- Gearing was reduced to 79% from 87%
- Sales of smaller mature properties realised £6.4 million, and a profit of £0.76 million

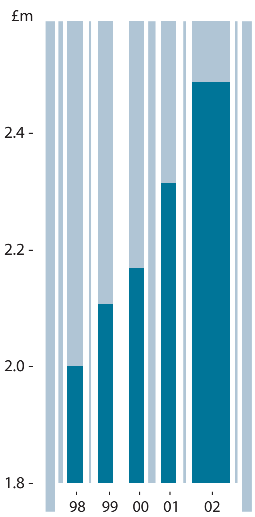
Fully diluted net assets per share



Dividend per share



Profit before tax



CHAIRMAN'S STATEMENT

I am pleased to say that once more our strategy of acquiring and managing shopping centres for growth has led to an advance in both net assets and profits over the 12 months to 31st December 2002.

King Edward Court is located in Windsor's prime retail core, and is the largest single retail ownership in the town

Pre-tax profits rose by 5.3% to £2.45 million over the period. This was achieved despite a lower rent roll during the year as we successfully continued our strategy of selling smaller, more mature properties. We sold £6.4 million of these properties last year generating a surplus over valuation as at December 2001 of £0.76 million.

Again the strength of our portfolio, together with the impact of our ongoing property management programme, has resulted in a further increase in the value of our core shopping centre holdings. LAP has five principal shopping centres which have been valued at £67.3 million, reflecting a like-for-like rise of 2.6%. Its total property portfolio was valued at £95.8 million, a like-for-like rise of 2.5%.

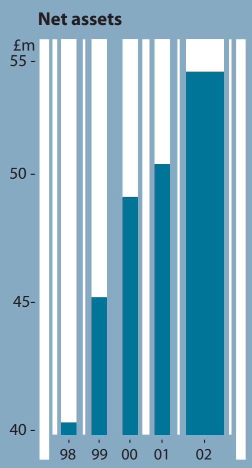
Net assets are now £54.2 million including our listed portfolio at market value, against £50.4 million last year, and on a fully diluted basis LAP's net asset value per share has risen by 6.1% to 67.0p compared with 63.2p last year. These figures have been restated following the adoption of FRS 19, which obliges us to recognise within deferred taxation any capital allowances that we have claimed.

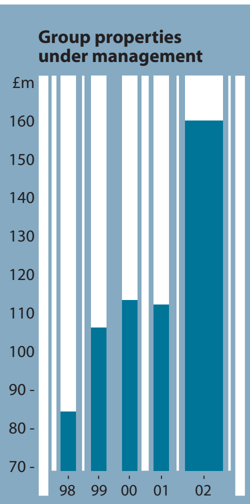
The Board is recommending a final dividend of 1.425p per share, a rise of 10%. If agreed by shareholders, this dividend will be paid on 11th July 2003 to those shareholders on the register at 28th March 2003. This means the dividend will have grown by a compound 9% per annum over the last 5 years.

The year under review has been a highly significant one for LAP as we completed our first joint venture with the Bank of Scotland through a newly created company, Analytical Properties Holdings Ltd. Analytical's strategy is to acquire substantial shopping centres with growth potential. These would ordinarily be disproportionate to the existing size of our assets and consequently the board took the decision to spread the risk through a joint venture. These properties will be managed for a fee by LAP, as we have a successful track record in shopping centre asset management.

Analytical acquired its first shopping centre, King Edward Court in Windsor, for £45.3 million at the end of 2002. We have identified at King Edward Court a number of exciting opportunities that are discussed in detail in the chief executive's review. The properties of LAP, Bisichi, Analytical and Dragon now amount to some £160 million, and they are all managed by LAP. It is our intention to seek further similar acquisitions as opportunities arise.

LAP's rental income for 2002 was £8.3 million against £8.9 million for the previous year. There are two principal reasons for this reduction. Firstly, we sold property with a rent roll of £550,000 per annum. Secondly, we vacated a number of units to enable our development and improvement programmes at several of our Centres.





King Edward Court, Windsor, was developed in 1979 and is anchored by a Fenwick's department store and a Waitrose supermarket

At the same time, on a like-for-like basis, we have contracted net incremental rents of £620,000 per annum, all of which will flow through to the profit and loss account as building contracts complete and rent free periods expire. Our annualised rental income is now some £8.3 million although our Estimated Rental Value is approaching £9.1 million per annum, which illustrates the room in the portfolio for further growth. As a result of the above sales, our gearing fell to 79% at the year end from 87% in 2001.

We continue our policy of investing exclusively in shopping centres which form part of the prime retail pitch in their respective town or city. Following acquisition, we seek to improve the centre through an intensive property management programme that includes extension or amalgamation of units, improving the tenant mix, refurbishment and re-branding if required.

During 2002 we approved £4.5 million of investment to upgrade our existing, directly-owned centres. These projects include the construction of a new 35,000 sq ft unit at Bletchley as well as numerous projects to extend or reconfigure units to enhance rental values. We do not undertake speculative schemes and each of these projects is fully or substantially pre-let. This £4.5 million of investment will lead to a minimum annual return of £550,000.

Both Dragon Retail Properties and Bisichi Mining Plc traded successfully. Dragon increased its net assets by 28% to £2.2 million, following a series of profitable sales and strong lettings at some of its core properties.

Bisichi Mining plc had an excellent year as pre-tax profits rose to £628,000 from £220,000. This increase primarily came from its subsidiary mining company which implemented a programme to improve production at its mine in South Africa. At the same time this company also acquired considerable reserves to extend the life of the mine to over 15 years.

After 35 years of association with LAP, including 29 years as a director, Pat Hawkings has decided to retire from the Board at the Annual General Meeting.

When I first met Pat in 1971 he was Company Secretary and in practice as a Chartered Accountant. No major executive decision has been taken since then without the benefit of Pat's commercial 'feel' and wisdom and this has assisted us in growing from the then £400,000 of gross assets to the £139 million, including share of joint ventures, that we have today.

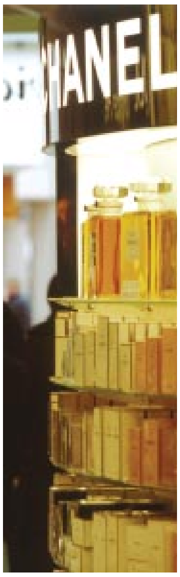
We shall miss Pat's input as a director and, on behalf of shareholders, I would like to thank him for all he has done for our Group and wish him well for the future.

Finally, I would like to take this opportunity to thank my colleagues on the Board and all the staff at London & Associated Properties plc for their input over the last 12 months. I look forward with confidence to the year ahead.

Michael Heller, Chairman
18 March 2003

CHIEF EXECUTIVE'S REPORT

I am pleased to report another year of sound progress in our property portfolio where we have contracted a net £620,000 of incremental rent. Rental income dipped, however, to £8.3 million compared to £8.9 million for 2001. This dip follows an aggressive programme of disposing of mature properties, which previously generated about £550,000 per annum, and the effect of vacating units to begin our refurbishment programmes at several of our Centres.



Despite these sales, for which we received £6.4 million in cash, the property portfolio was valued at £95.8 million, a like for like increase of 2.5 percent. This growth shows that our property management initiatives continue to yield excellent results.

As well as making progress with our property portfolio, a significant event this year was the formation of Analytical Properties Holdings Ltd, a joint venture with the Bank of Scotland. We had sought a suitable joint venture partner for some time and are delighted to have established this vehicle with Bank of Scotland who have a similar approach to property investment as us. This joint venture will acquire substantial retail assets which will be managed exclusively by LAP.

In December, the joint venture completed its first acquisition, King Edward Court, Windsor, for £45.3 million.

This represents an initial yield of 7.0%, although we believe that the Centre is reversionary. We also expect substantial growth in the rent roll there following implementation of our asset management initiatives over the coming years.

King Edward Court is located in Windsor's prime retail core, and is the largest single retail ownership in the town. The Centre was developed in 1979 and is anchored by a Fenwick's department store and a Waitrose supermarket, while other occupiers include Next, Boots, Game, Dixons, Clintons Cards, Clarks and Ernest Jones. The Centre also has the town's principal car park with approximately 1,000 spaces. 85% of the rental income is from major multiple tenants.

We have already identified a number of property management opportunities to amalgamate, extend and reconfigure existing units to create larger shops and meet modern retailers' requirements. The centre presents us with these opportunities because a number of the original 25 year leases expire in 2004. As a result we can gain greater control over the tenant mix, and we anticipate achieving good rental growth as our initiatives progress.

One of the reasons for our confidence is that our research shows that Windsor has low rents relative to its peer locations. As the only substantial landholding in the prime retail core of the town we are in a unique position to build a number of larger units which we are confident will attract new prime tenants. This will drive rents forward, as well as creating an increase in lettable space.

grooming

Orchard Square, Sheffield, is effectively fully let except for those units which we are redeveloping, and tenant demand for both the centre and Sheffield as a city remains strong

Although plans are at an early stage, our design team is scheduled to make a planning application during 2003 to redevelop part of the centre, and I look forward to keeping shareholders updated on this exciting project.

At Orchard Square, Sheffield, we are now constructing the large unit for Clarks Shoes that I reported at the half year at a total cost, including relocation expenses and fees, of £500,000. Clarks will pay an annual rent of £105,000, £55,000 a year more than the previous tenants of these units, which reflects the much improved configuration and an increase in the size of the unit. The Clarks letting equates to £71 Zone A which is a record rent for Orchard Square. This will assist the rent review programme which is currently underway, and should add more than £200,000 per annum to the rent roll.

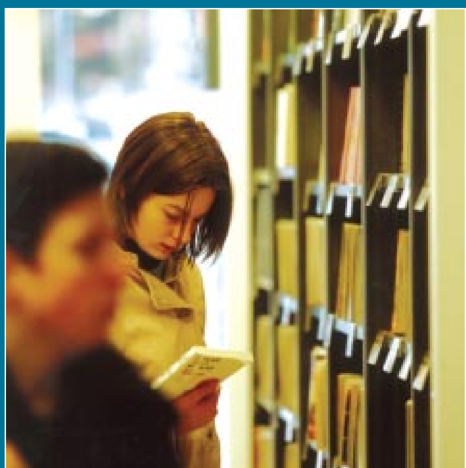
The first rent review in this current programme was settled during the year at £39,850 per annum, against a passing rent of £26,550. This was in line with our Estimated Rental Value. Our agents continue to negotiate on those units that are being reviewed, and we remain confident that we will meet rental growth expectations.

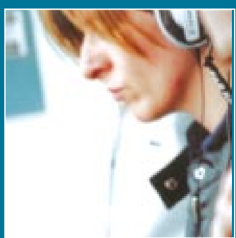
We have also obtained a planning consent to extend additional units on the other side of the Square and negotiations with existing tenants are well underway. These extended units will enable us to introduce a new café/restaurant to the scheme, as well as increasing the rental values of the shops involved.

Orchard Square is effectively fully let except for those units which we are redeveloping, and tenant demand for both the centre and Sheffield as a city remains strong.

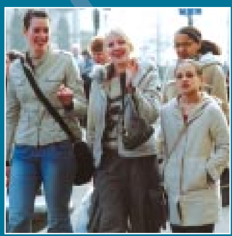
We continue our negotiations with the local authority at Christchurch for the redevelopment of a number of kiosks at Saxon Square. Our plans are to create a retail unit of around 5,000 sq ft at ground floor level with approximately 10 flats above. We have considerable interest in the ground floor unit already, although we will not be marketing it formally until our plans are at a more advanced stage.

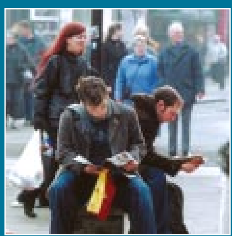
Elsewhere in Saxon Square, tenant demand remains strong and our units are fully let. Zone A rents have been confirmed in rent reviews as approaching £50 during 2002 compared to the low £30's at the time of acquisition in 1997.

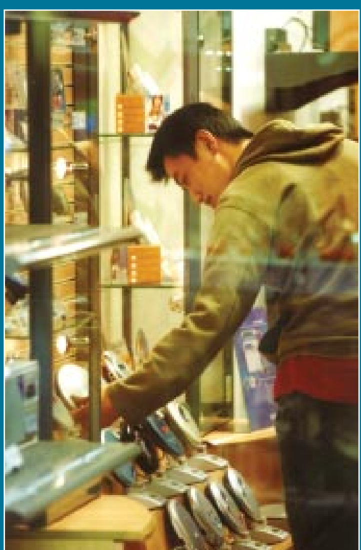


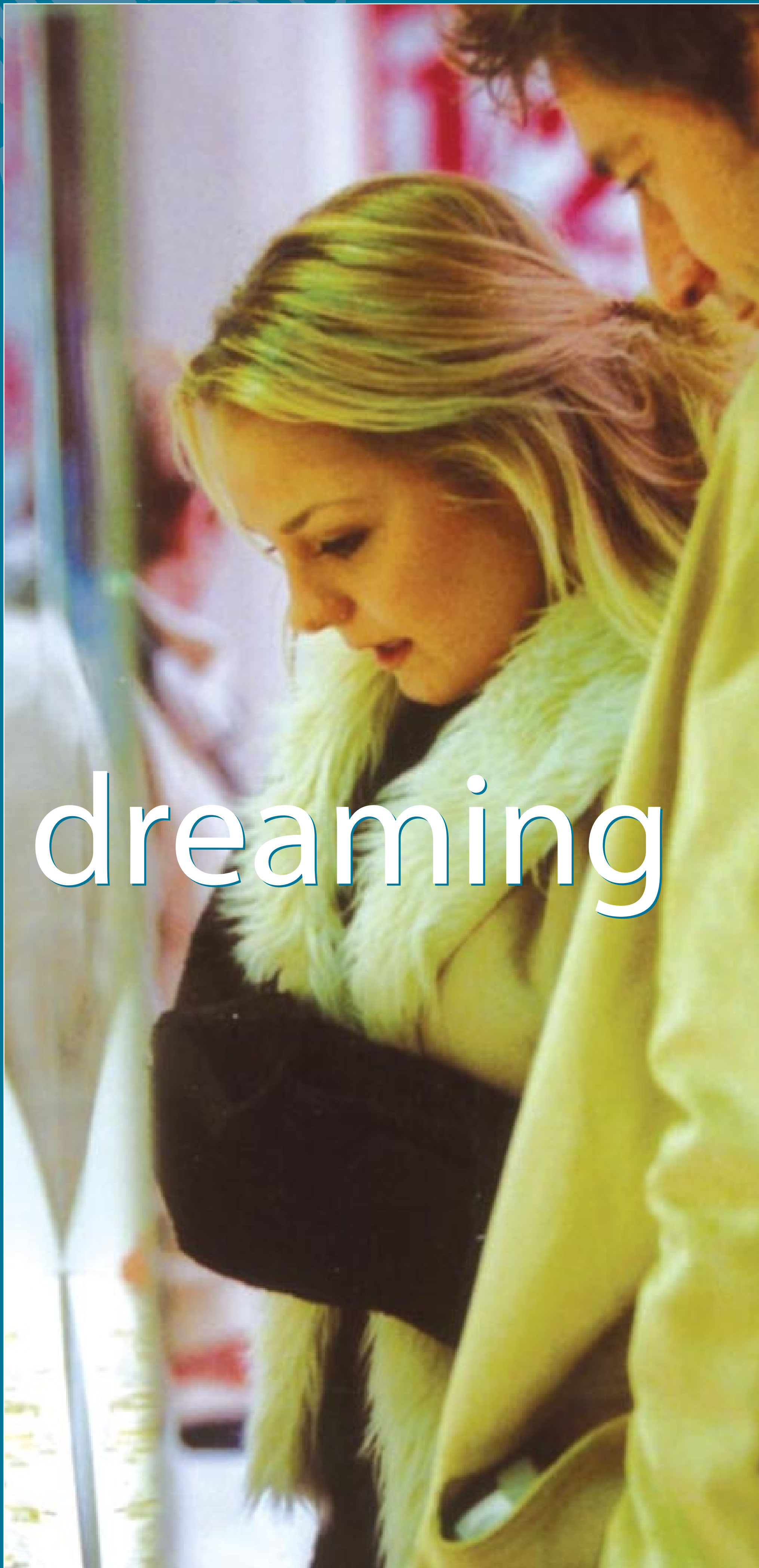


Again the strength of our portfolio, together with the impact of our ongoing property management programme, has resulted in a further increase in the value of our core shopping centre holdings









dreaming

Shareholders will recall that we acquired two adjacent units on the High Street to allow us to increase the size of certain smaller units within Saxon Square. We have now completed the works to separate the space that we wanted, and let the remaining space in the High Street shop to Specsavers for 15 years at an annual rent of £37,500. As this High Street unit is no longer part of our core holding, it is earmarked for sale during 2003.

At Brunel Centre, Bletchley, we are now constructing the new 35,000 sq ft unit on the former Wetherburn Court site which is immediately adjacent to the main concourse. 23,000 sq ft of this is pre-let to Wilkinson at £162,500 per annum. In addition there will be approximately 8,000 sq ft of further lettable space. The total cost of building this project, including fees, is £1.8 million.

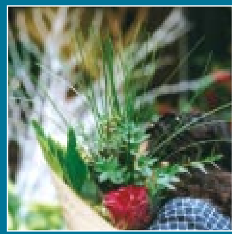
The concourse remains fully let, although we are exploring a number of options to reconfigure some of the units to accommodate potential tenants with larger unit requirements.

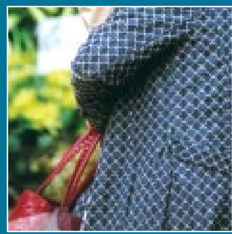
At the Mall, Dagenham, work has started to sub-divide one of the larger units into two better configured and hence more valuable ones, as reported at the half-year stage. One of these units is pre-let to national fashion retailer Ethel Austin at £37,500 per annum and there is strong interest in the remaining space which has an ERV of £37,500 per annum. The contract sum is £250,000 and the incremental rent will be some £30,000 per annum. The Mall continues to benefit from a doubling of the footfall compared to the previous year following the opening of the Wilkinson store last March, and this has created new interest from potential occupiers.

At Kings Square, West Bromwich, the centre has seen a major increase in footfall due to the relocation of the town's bus station which is now at the rear of the Centre. King's Square remains fully let, although we have received consent to construct a new unit at the bus station entrance to the scheme. This has been pre-let to Corals at £30,000 per annum. Construction will commence shortly and is expected to cost around £220,000.

We continue our policy of investing exclusively in shopping centres which form part of the prime retail pitch in their respective town or city

blooming





We sold properties for a total of £6.4 million against a valuation of £5.6 million. The cash generated from these sales provides us with a significant ability to acquire further substantial assets.

We continue to experience strong demand across all of our centres. Our voids are currently just over 2%, excluding those units held for redevelopment.

2002 saw us continue our programme of disposing of mature assets. We sold properties for a total of £6.4 million against a valuation of £5.6 million. This programme has continued in the first part of 2003 and we have completed or exchanged contracts to sell a further £1.7 million of property.

The cash generated from these sales provides us with a significant ability to acquire further substantial assets as and when they are identified, and follows our stated strategy of recycling our capital into fewer, larger assets with better opportunities for growth and active management.

Dragon Retail Properties, our 50:50 JV with Bisichi had another successful year as net assets grew by 28%. This growth was driven both by a number of lettings to national retailers at higher rents than those passing, and by selling individual shops into a very aggressive private investor market at high prices.

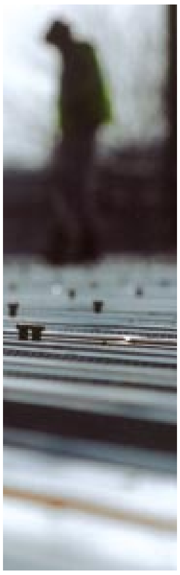
Once again, LAP has grown progressively through intensive management of the core shopping centres together with well-timed and profitable disposals of certain mature investments. The cash and facilities that we have in place, together with our joint venture vehicle, give us tremendous ability to make further suitable acquisitions. At the same time, our existing centres continue to perform well and we are growing our rent roll. In light of this progress I continue to view the future with great confidence.

John Heller

John Heller, Chief Executive
18 March 2003

FINANCE DIRECTOR'S REPORT

The year under review was, once more, an extremely active one for the Group during which we established a joint venture with the Bank of Scotland to purchase larger shopping centres. The joint venture made its first acquisition, King Edward Court in Windsor, for £45.3 million. We also generated £6.4 million of cash from the sales of smaller, mature properties, and invested £1.5 million in our ongoing property management programmes.



Cash Flow

To purchase King Edward Court, LAP invested £3.7 million into the joint venture. This investment was made from the cash proceeds of the successful sales programme referred to above. Since the end of the year we have made additional sales of £1.7 million, and these proceeds, added to our existing cash and facilities, mean that we have the ability to make further substantial acquisitions when opportunities arise.

LAP now has £46.9 million of term debt, with the shortest element repayable in 2009. £21.7 million (46%) of this debt is at fixed rates and the balance is linked to LIBOR. Currently our average interest rate payable is 7.0% (2001: 7.1%), as we continue to benefit from the low interest rate environment.

At the year-end, cash increased by 75% to £6.72 million, from £3.84 million. This is after our £3.7 million investment in Analytical Properties, £1.5 million of capital expenditure on our existing portfolio, and the cash received from the property sales.

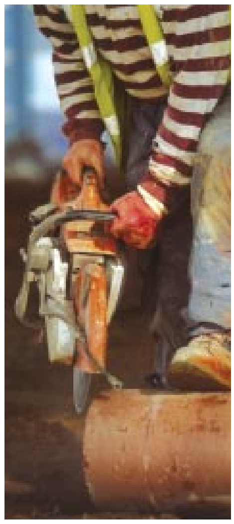
Profit & Loss

Although the disposal programme had an impact on net rental income, interest payable was reduced by £364,000 compared to 2001, and interest receivable rose by £244,000, as a result of cash generated.

Taxation

This year we have adopted the new accounting standard, FRS19, which requires that full provision is made on all timing differences between accounting and tax treatments that are not permanent. The one exception is that tax arising on the revaluation surplus is not recognised in the balance sheet but is a contingent liability. The impact of FRS19 is that LAP's net assets for the current year have been reduced by £1.5 million and by £1.4million in the previous period. This is purely a book adjustment and is unlikely to crystallise in future years. No property sales, to date, have resulted in this tax becoming payable.

The adoption of FRS19 has resulted in a higher current year tax charge than would have previously been the case. This amounts to £70,000, equivalent to an additional 3% on the tax rate charged to the company. The tax charged for the current year has increased to £605,000, an effective rate of 24.7% compared to 0.8% last year, although tax actually payable will amount to £390,000. This substantial change is due to a large prior year adjustment in 2001. Earnings per Share for the year has reduced as a result of this higher tax charge, to 2.3p per share on a fully diluted basis compared to 2.9p for 2001.



At Brunel Centre, Bletchley, we are now constructing the new 35,000 sq ft unit on the former Wetherburn Court site

Dividend

A dividend of 1.425p is recommended, an increase of 10% on last year. The dividend is covered over 1.6 times by profits after tax.

Balance sheet

Group net assets, including listed investments at market value, increased by 7.5% to £54.2 million, against £50.4 million (restated for FRS 19) for the previous year. Fully diluted net assets per share rose by 6.0% to 67.0p, up from 63.2p (restated) last year.

Gearing, as a result of the disposal programme, fell to 79% from 87% (restated), net of listed investments.

A notional adjustment for "fair value" of our long-term debt is currently 5.69p (2001:4.97p restated). This would equate to a reduction in our net assets of £4.6 million compared to £3.9 million (restated) in 2001. In common with many other property companies, it continues to be our policy not to repay long-term debt early.

Our listed investments have fallen in value, in line with the general market, although at the year-end they continued to show a surplus of £192,000 over cost.

Our associate company Bisichi Mining PLC, in which we hold a 42% stake, produced pre-tax profits of £628,000, a 185% increase over the previous year's £220,000. This reflects improvements made to operations at its coal mining subsidiary during the year.

Dragon Retail Properties, our joint venture with Bisichi also had a strong year with net assets growing by 28%.

LAP continues its cautious approach to managing the company's finances. This will enable us to move quickly when suitable buying opportunities present themselves, and ensures that we can face the future with confidence.

Robert Corry, Finance Director
18th March 2003

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 Executive Chairman of Delmore Asset Management Ltd and a global asset allocation specialist. He is also a consultant director on global asset allocation for Liverpool Victoria Asset Management Limited and was director of global strategy at Allied Dunbar Asset Management.

John A Heller LLB MBA (Chief executive)

† **Barry J O'Connell (Non-executive)** - Barry O'Connell retired as chief executive of KP Foods, part of United Biscuits (Holdings) PLC, in 1991.

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

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

Auditors

Baker Tilly

Principal bankers

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

Solicitors

D J Freeman
Charles Russell
Dickinson Dees, Newcastle-upon-Tyne
Halliwell Landau, London
Kuit, Steinart, Levy & Co, Manchester
Pinsent Curtis Biddle, Leeds
Wragge & Co, Birmingham

Stockbrokers

Credit Lyonnais Securities Europe

Registrars & transfer office

Capita Registrars, The Registry,
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

DIRECTORS' REPORT

The directors submit their report and the audited accounts, for the year ended 31 December 2002.

Activities

The company is a property investment company, deriving income primarily from rents, and from dividends, trading listed investments, its share of results of the joint venture companies and the associate. 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 2002 of 1.425p per ordinary share (2001 - 1.3p). The final dividend will be payable on 11 July 2003 to shareholders registered at the close of business on 28 March 2003.

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 1,026,675 (2001-1,226,230) new shares were issued to shareholders who elected to receive shares in lieu of cash for the dividend paid in July 2002.

Investment properties

Ninety-five per cent of the investment property portfolio was externally revalued as at 31 December 2002 by two professional firms of chartered surveyors - Allsop & Co., London (90.4 per cent of the portfolio), and Hill Woolhouse, Leeds (4.2 per cent) and the remaining properties were valued by the directors. The valuations, which are reflected in the financial statements, amount to £95.8 million (2001-£97.7 million). The properties owned by the joint ventures, Analytical Properties and Dragon Retail Properties were also revalued together with those of the Associate, Bisichi Mining PLC.

The group revaluation reserve increased by £0.146 million (2001-£1.0 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. P S Hawkings is retiring at the Annual General Meeting after 29 years on the company's board. B J O'Connell and M C Stevens 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:-

Barry O'Connell has been a non-executive director of the company since 1998, and has a contract of service determinable at three months notice. He is a member of the audit, remuneration and nomination committees. He retired in 1991 as Chief Executive of the KP Foods division of United Biscuits.

Michael Stevens has been Company Secretary since 1985 and an executive member of the board since 1987. He has a contract of employment determinable at six months notice. He is a chartered accountant and responsible for the group's accounting, administration, systems and technology.

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 02	1 Jan 02	31 Dec 02	1 Jan 02
M A Heller	4,871,757	4,871,757	19,847,231	19,276,184
L C J Brown	74,600	72,500	2,000	–
R J Corry	3,195	3,073	–	–
H D Goldring	2,080	2,000	–	–
P S Hawkings	219,813	211,894	–	–
J A Heller	1,010,000	1,000,000	*14,847,231	*14,276,184
B J O'Connell	115,032	110,608	–	–
M C Stevens	321,748	310,835	†315,688	†303,547

* 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 44,275,784 shares of the company, representing 55.3 per cent of the issued share capital. Funds managed by Exeter Asset Management Limited held 5.5 million shares at 31 December 2002 representing 6.9 per cent of the issued share capital. There have not been any material changes to these holdings since 31 December 2002.

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 12.6 days (2001- 16.6 days) annual trade purchases. The company supports and follows the CBI Prompt Payers Code.

Corporate governance

Throughout the year the company has complied with the provisions of Section 1 of the Combined Code for corporate governance. 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 14.

Principles of Corporate Governance

The group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles (including those set out in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") published by the Stock Exchange in June 1998) in a sensible and pragmatic fashion having regard to the individual circumstances of a particular group's business. The key objective is to enhance and protect shareholder value.

Board Structure

During the year the Board comprised the Executive Chairman, the Chief Executive, two other Executive Directors, PS Hawkings, being the senior independent Non-Executive Director and three other Non-Executive Directors. Their details appear on page 14.

The Board is responsible to shareholders for the proper management of the group. A statement of directors' responsibilities in respect of the accounts is set out on page 23. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the group. The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following committees, which have written terms of reference, deal with specific aspects of the group's affairs.

- The Nomination Committee is chaired by PS Hawkings and comprises the Non-Executive Directors and the Executive Chairman. The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process. All Directors are subject to re-election at least every three years.

- The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors. The Committee comprises the Non-Executive Directors. It is chaired by PS Hawkings. The report on Directors' remuneration is set out on pages 20 and 21.

- The Audit Committee comprises four of the Non-Executive Directors and is chaired by LC John Brown. Its prime tasks are to review the scope of external audit, to receive regular reports from Baker Tilly and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the group's internal control and risk management systems and processes. The committee also considers the need for an internal audit function. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

The committee, which meets at least twice a year, provides a forum for reporting by the group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and group Finance Director.

Internal control

The directors are responsible for the group's system of internal control and reviewing its effectiveness.

The Board has designed the group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;

- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the group's financial performance against approved budgets and forecasts;

- The departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and associated control and monitoring procedures are made to the executive directors. The process adopted by the group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The Audit committee receives reports from external auditors on a regular basis and from executive directors of the group. During the period, the Audit Committee has reviewed the effectiveness of the system of internal control as described above. The Board receives periodic reports from all committees.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2002 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

Communication with shareholders

Communication with shareholders is given a high priority. Extensive information about the Group and its activities is given in the Annual Report and Accounts, and the Interim Report, which are sent to shareholders. Further information is available on the company's website, www.laprops.co.uk. There is a regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.

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 43. **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 £400,451 which is equivalent to 5 per cent of the issued ordinary share capital as at 31 December 2002 (and 5 per cent of the issued ordinary share capital as at 18 March 2003). The proposed authority will expire at the conclusion of the next Annual 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 8,009,026 of its own ordinary shares of 10 pence each (representing approximately 10 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 company and the group have 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 financial statements.

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***
18 March 2003

8-10 New Fetter Lane
London EC4A 1AF

REMUNERATION REPORT

The Remuneration Committee is pleased to present its report for the year ended 31 December 2002.

Remuneration policy for executive directors and non-executive directors

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 are rewarded competitively in relation to other companies in order to retain and motivate them. The emoluments of each executive director comprises basic salary, a bonus at the discretion of the Remuneration Committee, provision of a car, premiums paid in respect of individual defined contribution pension arrangements, health insurance premium 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 incurred on behalf of non-executive directors and they do not participate in the share option schemes.

Service and employment contracts

All executive directors have full time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds twelve months. All directors' contracts, as amended from time to time, have run from the date of appointment.

The following information has been audited:

Directors' remuneration

	Salary £000	Bonus £000	Pension Contri-butions £000	Benefits £000	**Total 2002 £000**	Total 2001 £000
Chairman						
M A Heller	7	-	-	27	**34**	28
Executive directors						
R J Corry	135	15	13	12	**175**	160
J A Heller	150	40	15	18	**223**	176
M C Stevens	105	5	10	9	**129**	113
Total executive remuneration	397	60	38	66	**561**	477

Three directors have benefits accruing under money purchase pension schemes (2001-3)

	Board Fees £000	Benefits £000	**Total 2002 £000**	Total 2001 £000
Non-executive directors				
L C J Brown	15	–	**15**	13
H D Goldring	15	2	**17**	21
P S Hawkings	16	–	**16**	16
B J O'Connell	15	–	**15**	15
	61	2	**63**	65
Total remuneration for directors' service during the year			**624**	542

Share option schemes

The company has two share option schemes -

1.The "Approved Scheme" was set up in 1986 and has Inland Revenue approval.

2. The "Unapproved Scheme" was set up in 1998 and is not subject to the Inland Revenue terms of approval.

Executive directors have options to subscribe for ordinary shares under the two schemes as follows:

	Option price	Number of share options 1 Jan 02	Granted in 2002	31 Dec 02	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
M C 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

There are no performance criteria for the exercise of options under the Approved Scheme, as this was set up before such requirements were considered to be necessary. The exercise of options under the Unapproved Scheme is subject to the satisfaction of objective performance conditions specified by the Remuneration Committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The Remuneration Committee has not yet set these guidelines for the Unapproved Scheme.

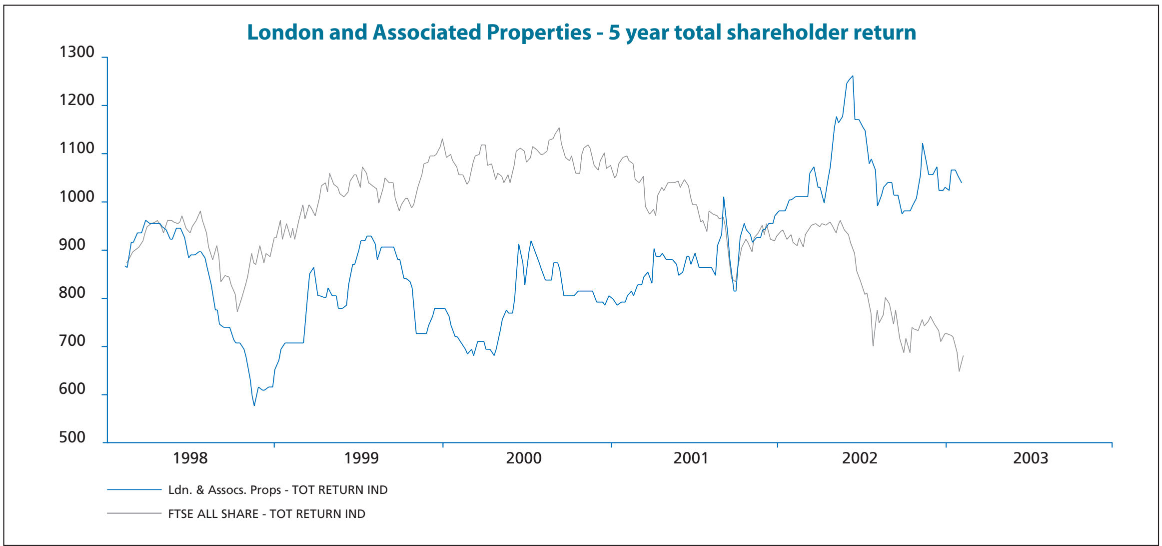
No options were exercised by directors during 2002 and no options lapsed during the year.

The middle market price of London & Associated Properties PLC ordinary shares at 31 December 2002 was 31.25p (2001-31.0p).

During the year the share price ranged between 29p and 38.5p. 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.

The following information is unaudited:

The Remuneration Report Regulations require us to provide a graph comparing the Total Shareholder Return of a hypothetical holding of shares in the company with a broad equity market index over a five year period. The directors have chosen the FTSE All Share -Total Return Index as a suitable index for this comparison.



Source: DATASTREAM

P S Hawkings,
Chairman, Remuneration Committee
18 March 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON AND ASSOCIATED PROPERTIES PLC

We have audited the financial statements on pages 24 to 42. We have also audited the information in the Directors' Remuneration Report that is described as having been audited. This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of 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 form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Report, the Finance Director's Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. 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 company'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 and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2002 and of the group profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditors
Chartered Accountants
18 March 2003

2 Bloomsbury Street
London WC1B 3ST

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.

The directors are also responsible for the maintenance and integrity of the company's website *www.laprops.co.uk*.

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 2002 by the company as detailed in our Valuation Report dated 4 March 2003.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2002 of these interests was:

	£000
Freehold	**40,800**
Leasehold	**45,735**
	86,535

London — **Allsop & Co.**

4 March 2003 — 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 2002 by the company as detailed in our Valuation Report dated 18 February 2003.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2002 of these interests was:

	£000
Freehold	**4,030**
Leasehold	**–**
	4,030

Leeds — **Hill Woolhouse**

18 February 2003 — Chartered Surveyors

Consolidated profit and loss account

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000 Restated
Gross rental income			
Group and share of joint ventures		**8,336**	8,922
Less: joint ventures - share of rental income		**(318)**	(230)
	1	**8,018**	8,692
Less: property overheads -			
Ground rents		**(455)**	(458)
Direct property expenses		**(899)**	(937)
Attributable overheads	2	**(1,742)**	(1,610)
		(3,096)	(3,005)
Less: joint ventures - share of overheads		**70**	44
		(3,026)	(2,961)
Net rental income		**4,992**	5,731
Listed investments - net income	*3*	**(355)**	181
Operating profit		**4,637**	5,912
Share of operating profit of joint ventures	*1*	**249**	186
Share of operating profit of associate	*1*	**407**	231
		5,293	6,329
Interest receivable		**334**	90
Interest payable	*5*	**(3,947)**	(4,311)
Cost of redemption of debentures	*5*	**-**	(718)
Exceptional items			
Company			
Profit on sale of investment properties	*6*	**757**	47
Compensation for early surrender of lease	*6*	**-**	885
Joint venture and associate	*6*	**11**	2
		768	934
Profit on ordinary activities before taxation		**2,448**	2,324
Taxation on profit on ordinary activities	*7*	**605**	18
Profit on ordinary activities after taxation		**1,843**	2,306
Dividend	*8*	**1,141**	1,025
Retained profit for the year	*21*	**702**	1,281
Earnings per share - basic	*10*	**2.32p**	2.95p
- fully diluted	*10*	**2.30p**	2.91p
Dividend per share	*8*	**1.425p**	1.30p

The revenue and operating profit for the year is derived from continuing operations in the United Kingdom.

Balance sheets

at 31 December 2002

	Notes	Group 2002 £000	Group 2001 £000 Restated	Company 2002 £000	Company 2001 £000 Restated
Fixed assets					
Tangible assets	*11*	**96,143**	98,132	**96,143**	98,132
Investments in joint ventures				**1,993**	164
Share of gross assets		**27,452**	3,310		
Share of gross liabilities		**(24,524)**	(2,437)		
Share of net assets	*12*	**2,928**	873		
Other investments		**5,219**	2,851	**2,201**	372
	13	**8,147**	3,724	**4,194**	536
		104,290	101,856	**100,337**	98,668
Current assets					
Debtors	*14*	**1,375**	1,819	**1,375**	1,819
Investments at cost	*15*	**2,193**	2,505	**2,193**	2,505
(Market value £2,385,000 (2001: £2,965,000))					
Bank balances		**6,718**	3,840	**6,718**	3,840
		10,286	8,164	**10,286**	8,164
Creditors					
Amounts falling due within one year	*16*	**(12,923)**	(11,990)	**(12,938)**	(12,005)
Net current liabilities		**(2,637)**	(3,826)	**(2,652)**	(3,841)
Total assets less current liabilities		**101,653**	98,030	**97,685**	94,827
Creditors					
Amounts falling due after more than one year	*17*	**(45,971)**	(46,555)	**(45,971)**	(46,555)
Provisions for liabilities and charges	*19*	**(1,657)**	(1,549)	**(1,657)**	(1,549)
Net assets		**54,025**	49,926	**50,057**	46,723
Capital and reserves					
Share capital	*20*	**8,009**	7,883	**8,009**	7,883
Share premium account	*21*	**4,509**	4,264	**4,509**	4,264
Capital redemption reserve	*21*	**15**	15	**15**	15
Revaluation reserve	*21*	**25,781**	25,927	**23,079**	23,532
Other reserves	*21*	**429**	429	**-**	-
Retained earnings	*21*	**15,282**	11,408	**14,445**	11,029
Shareholders' funds		**54,025**	49,926	**50,057**	46,723
Net assets per share*					
Basic		**67.69p**	63.92p		
Diluted		**66.98p**	63.15p		

*Including current asset investments at market value.

These financial statements were approved by the board of directors on 18 March 2003 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 2002

		2002 £000	2001 £000 Restated
Profit for the financial year		**1,843**	2,306
Currency translation difference on foreign currency net investments of associate		**90**	(120)
Increase on revaluation of investment properties			
Company		**2,408**	663
Associate and joint venture		**528**	254
Total gains and losses recognised in the year		**4,869**	3,103
Prior year adjustment	*Note 29*	**(1,434)**	
Total gains recognised since the last annual report		**3,435**	

Note of historical cost profits and losses
for the year ended 31 December 2002

	2002 £000	2001 £000 Restated
Reported profit on ordinary activities before taxation	**2,448**	2,324
Share of realisation of property revaluation gains of previous years		
Company	**2,861**	555
Associate and joint venture	**221**	93
Historical cost profit on ordinary activities before tax	**5,530**	2,972
Retained historical cost profit for the year	**3,784**	1,929

Reconciliation of movement in shareholders' funds
for the year ended 31 December 2002

	2002 £000	2001 £000 Restated
Profit for the financial year	**1,843**	2,306
Dividend	**(1,141)**	(1,025)
Retained profit for the year	**702**	1,281
Associate's currency translation difference on foreign currency net investments	**90**	(120)
Unrealised changes on revaluation of investment properties	**2,936**	917
Shares issued	**126**	122
Share premium account movements	**245**	196
	4,099	2,396
Shareholders' funds at 1 January 2002	**49,926**	47,530
Shareholders' funds at 31 December 2002	**54,025**	49,926

Consolidated cash flow statement

for the year ended 31 December 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Net cash inflow from operating activities	*22a*		**4,259**		7,912
Returns on investments and servicing of finance					
Interest received		**307**		42	
Interest paid		**(3,650)**		(4,022)	
Net cash outflow from returns on investments and servicing of finance			**(3,343)**		(3,980)
Taxation					
Corporation tax			**152**		(145)
Capital expenditure and financial investment					
(Purchase) sale of fixed asset investments		**(3,658)**		-	
Redemption of fixed asset investment		**-**		2	
Sale of properties		**6,405**		4,132	
Sale of office equipment and motor cars		**-**		31	
Property acquisitions and improvements		**(1,513)**		(1,243)	
Purchase of office equipment and motor cars		**(12)**		(140)	
Net cash inflow for capital expenditure and financial investment			**1,222**		2,782
Equity dividends paid			**(700)**		(609)
Net cash inflow before use of liquid resources and financing			**1,590**		5,960
Net cash outflow from management of liquid resources					
Repayment of short term loan from joint ventures			**(163)**		(3)
Financing					
Issue of shares		**55**		-	
Issue expenses		**(9)**		(5)	
Repayment of debenture loan		**-**		(1,000)	
Debenture repayment premium		**-**		(718)	
Repayment of medium term bank loan		**(300)**		(300)	
Net cash outflow from financing			**(254)**		(2,023)
Increase in cash in the period			**1,173**		3,934

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2002

	Note	2002 £000	2001 £000
Increase in cash in the period		**1,173**	3,934
Net cash inflow from increase in debt		**300**	1,300
		1,473	5,234
Other movements on current asset investments		**(312)**	100
Movement in net debt in the period		**1,161**	5,334
Net debt at 1 January 2002		**(44,403)**	(49,737)
Net debt at 31 December 2002	*22b*	**(43,242)**	(44,403)

Accounting policies

The following are the main accounting policies of the group:

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of freehold and leasehold properties and in accordance with applicable accounting standards. All accounting policies applied are consistent with those of prior periods with the exception of Deferred Taxation, which has been amended following the introduction of Financial Reporting Standard 19.

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges, but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for deprecation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading activities of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in Note 11.

Basis of consolidation

The consolidated financial statements comprise:

(a) The financial statements of the company and all its subsidiaries made up to 31 December. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. Provision is made for impairment.

(b) Associated Undertakings - Undertakings in which the group has a participating interest of not less than 20 per cent in the voting capital and over which it exerts significant influence are defined as associated undertakings. The financial statements include the appropriate share of the results and reserves of those undertakings based on the audited financial statements to 31 December.

(c) Joint Ventures - Undertakings in which the group has a long term interest and shares control under a contractual arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method.

Revenue

Revenue comprises rental income, listed investment sales, dividends and other income.
The profit or loss on disposal of properties is recognised on completion of sale.

Dividends receivable

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

Tangible fixed assets

a) Investment properties

An external professional valuation of investment properties is carried out at least every five years, but is currently carried out every year. Properties professionally valued by Chartered Surveyors are on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors.

The cost of improvements includes attributable interest - Notes 5 and 11.

b) Other tangible fixed assets

Other tangible fixed assets are stated at historical cost. 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

Long term investments are described as participating interests and are classified as fixed assets. Short term investments are classified as current assets.

a) Investments held as fixed assets:

These comprise investments in Analytical Properties Limited and Dragon Retail Properties Limited (unlisted joint ventures), Bisichi Mining PLC (listed associate), and in unlisted companies which are all held for the long term. Provision is made for any impairment in the value of fixed asset investments. Details of the investments in joint ventures and associate are set out in Notes 12 and 13.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset. Deferred tax is measured at the average tax rates which are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased assets and obligations

All other 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. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments at the balance sheet date.

1. Segmental analysis

	Revenue		Operating profit		Net operating assets	
	2002	2001	**2002**	2001	**2002**	2001
	£000	£000	**£000**	£000	**£000**	£000
						Restated
Property	**8,018**	8,692	**4,992**	5,731	**45,216**	44,767
Listed investments	**389**	330	**(355)**	181	**2,193**	2,505
Fixed asset investments	**-**	-	**-**	-	**1,834**	5
Net non-operating liabilities	**-**	-	**-**	-	**(1,531)**	(1,070)
Group total	**8,407**	9,022	**4,637**	5,912	**47,712**	46,207
Share of joint ventures	**318**	230	**249**	186	**2,928**	873
Share of associate	**2,213**	1,692	**407**	231	**3,385**	2,846
Group, joint ventures and associate	**10,938**	10,944	**5,293**	6,329	**54,025**	49,926

Rental income

	Company	Analytical Properties Limited	Dragon Retail Properties Limited	Total	Group Share 2002	Group Share 2001
Rental income	**8,018**	**287**	**349**	**8,654**	**8,336**	8,922
Ground rents	**(429)**	**(53)**	**-**	**(482)**	**(455)**	(458)
Direct property expenses	**(882)**	**(18)**	**(16)**	**(916)**	**(899)**	(937)
Net rental income	**6,707**	**216**	**333**	**7,256**	**6,982**	7,527
Attributable overheads	**(1,715)**	**(19)**	**(34)**	**(1,768)**	**(1,742)**	(1,610)
	4,992	**197**	**299**	**5,488**	**5,240**	5,917
Less: attributable to joint ventures					**(248)**	(186)
Net rental income					**4,992**	5,731

2. Attributable overheads

		2002	2001
		£000	£000
Attributable overheads have been allocated to the appropriate operating activity, and include:			
Depreciation on tangible fixed assets		**92**	100
Auditors' remuneration	- audit fee	**29**	24
	- other fees	**5**	11
Operating lease rentals - land and buildings		**197**	197
Loss (Profit) on disposal of motor vehicles		**3**	(10)

3. Listed investments

	2002	2001
	£000	£000
Investment sales	**301**	249
Dividends receivable	**88**	81
	389	330
Cost of sales	**(726)**	(134)
	(337)	196
Less - attributable overheads	**(18)**	(15)
Net income from listed investments	**(355)**	181

4. Directors' emoluments

	2002 £000	2001 £000
Emoluments	**586**	511
Defined contribution pension contributions	**38**	31
	624	542

Details of directors' emoluments and share options are set out in the Remuneration Report.

5. Interest payable and cost of redemption of debenture stocks

	2002 £000	2001 £000
Interest on bank loans and overdrafts	**191**	225
Other loans	**3,431**	3,844
Share of associate's interest payable	**137**	142
Share of joint ventures' interest payable	**219**	132
Interest capitalised *	**(31)**	(32)
	3,947	4,311
Redemption premium and costs	**-**	718

On 6 November 2001 the Convertible 10.5% Debenture £520,000 and Non-Convertible 10.5% Debenture £480,000 were redeemed at a premium plus costs of £718,000.

Interest payable of £31,000 (2001: £32,000) has been transferred to investment properties (Note 11). The amount transferred represents the cost of funds forming part of the group's general borrowings which were used in financing major capital projects.

* The interest rate used is 1 per cent over the base rate of the banks used to finance the capital projects.

6. Exceptional items

	2002 £000	2001 £000
Profit on sale of:		
Freehold property	**757**	47
Compensation for early surrender of lease	**-**	885
	757	932
Joint venture - profit on sale of freehold property	**8**	-
Associate-fixed asset investment-profit on disposal	**3**	2
	768	934

7. Taxation

	2002 £000	2001 £000 Restated
Current tax:		
Corporation tax on profits of the period	**390**	45
Adjustments in respect of previous periods	**(2)**	(188)
Total current tax	**388**	(143)
Joint ventures	**23**	16
Associate	**86**	33
Total current tax	**497**	(94)
Deferred tax:		
Origination and reversal of timing differences	**(24)**	30
Accelerated capital allowances	**132**	82
Total deferred tax (Note 19)	**108**	112
Tax on profit on ordinary activities	**605**	18

Factors affecting tax charge for the year
The corporation tax assessed for the year is different from that at the standard rate of corporation tax in the United Kingdom of 30 per cent (2001: 30 per cent).
The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before taxation	**2,448**	2,324
Taxation on ordinary activities at 30 per cent	**735**	697
Effects of:		
Expenses not deductable for tax purposes	**19**	19
Capital allowances for the year in excess of depreciation	**(92)**	(134)
Capital gains in excess of profit on disposal	**(126)**	(404)
Other differences	**(31)**	(71)
Loss relief	**13**	-
Adjustment to smaller companies rate	**(19)**	(13)
Adjustment in respect of prior years	**(2)**	(188)
Current tax charge for the period	**497**	(94)
Prior year adjustments:		
1998	**-**	
1999	**1**	
2000	**-**	
2001	**1**	
	2	

Factors that may affect future tax charges:
Based on current capital expenditure plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £1,093,000 (2001: £953,000). At present it is not envisaged that any tax will become payable in the forseeable future.

8. Dividend

	Per share	2002 £000	Per share	2001 £000
Proposed final dividend	**1.425p**	**1,141**	1.3p	1,025

9. Profit attributable to London & Associated Properties PLC

	2002 £000	2001 £000 Restated
Dealt with in the financial statements of:		
London & Associated Properties PLC	**555**	1,246
Joint ventures	**(2)**	14
Associate	**149**	21
	702	1,281

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.

10. Earnings per share

Earnings per share have been calculated as follows:-

	Earnings		Shares in issue		Earnings per share	
	2002 £000	2001 £000 Restated	2002 000	2001 000	2002 pence	2001 pence Restated
Group profit on ordinary activities after tax	**1,843**	2,306				
Weighted average share capital for the year			**79,474**	78,185		
Basic earnings per share	**1,843**	2,306	**79,474**	78,185	**2.32p**	2.95p
Adjustments:						
Issue of outstanding share options	**18**	17	**1,537**	1,767		
Fully diluted earnings per share	**1,861**	2,323	**81,011**	79,952	**2.30p**	2.91p

11. Tangible fixed assets

Group and company	Total £000	Investment properties Freehold £000	Investment properties Long leasehold £000	Office equipment and motor vehicles £000
Cost or valuation at 1 January 2002	98,610	50,653	47,010	947
Increase on revaluation	2,408	1,114	1,294	-
Additions	1,498	1,080	407	11
Disposals	(5,830)	(5,800)	-	(30)
Cost or valuation at 31 December 2002	**96,686**	**47,047**	**48,711**	**928**
Representing assets stated at :				
Valuation	95,758	47,047	48,711	-
Cost	928	-	-	928
	96,686	**47,047**	**48,711**	**928**
Depreciation at 1 January 2002	478	-	-	478
Charge for the year	92	-	-	92
Disposals	(27)	-	-	(27)
Depreciation at 31 December 2002	**543**	**-**	**-**	**543**
Net book value at 1 January 2002	98,132	50,653	47,010	469
Net book value at 31 December 2002	**96,143**	**47,047**	**48,711**	**385**

Ninety five per cent of freehold and long leasehold properties were valued as at 31 December 2002 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	**86,535**
Hill Woolhouse, Chartered Surveyors	**4,030**
Directors' valuations	**5,193**
	95,758

The historical cost of investment properties, including total capitalised interest of £742,000 (2001 : £711,000) was as follows:

	Freehold £000	Long leasehold £000
Cost at 1 January 2002	36,442	37,689
Additions	1,080	407
Disposals	(2,939)	-
Cost at 31 December 2002	**34,583**	**38,096**

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

12. Investments in joint ventures

	Analytical Properties Limited £000	Dragon Retail Properties Limited £000	Total 2002 £000	**Group share 2002 £000**	Group share 2001 £000
Joint venture balance sheets					
Fixed assets	48,248	4,627	52,875	**26,438**	3,076
Current assets					
Debtors	1,068	261	1,329	**665**	213
Cash	672	26	698	**349**	21
	1,740	287	2,027	**1,014**	234
Creditors due within one year					
Bank loans and overdrafts	-	-	-	**-**	(52)
Other Liabilities	(1,241)	(202)	(1,443)	**(722)**	(774)
	(1,241)	(202)	(1,443)	**(722)**	(826)
Net current assets (liabilities)	499	85	584	**292**	(592)
Total assets less current liabilities	48,747	4,712	53,459	**26,730**	2,484
Creditors due in more than one year					
Bank loans	(41,446)	(2,500)	(43,946)	**(21,973)**	(1,611)
Loan stock	(3,658)	-	(3,658)	**(1,829)**	-
Net assets	3,643	2,212	5,855	**2,928**	873
Being					
Property assets	48,248	4,625	52,873	**26,437**	3,076
Other assets (liabilities)	(44,605)	(2,413)	(47,018)	**(23,509)**	(2,203)
	3,643	2,212	5,855	**2,928**	873
Consolidated balance sheet analysis					
Share of gross assets	49,988	4,914	54,902	**27,452**	3,310
Share of gross liabilities	(46,345)	(2,702)	(49,047)	**(24,524)**	(2,437)
Share of net assets	3,643	2,212	5,855	**2,928**	873
Group share of joint venture profit and loss account					
Gross rental income	287	349	636	**318**	230
Ground rents	(53)	-	(53)	**(27)**	-
Direct property expenses	(18)	(16)	(34)	**(17)**	(11)
Net rental income	216	333	549	**274**	219
Overheads	(19)	(34)	(53)	**(25)**	(33)
Operating profit	197	299	496	**249**	186
Interest receivable	30	17	47	**22**	16
Interest payable	(242)	(196)	(438)	**(219)**	(132)
Exceptional items	-	16	16	**8**	(132)
Profit before taxation	(15)	136	121	**60**	(62)
Taxation	-	(47)	(47)	**(23)**	(16)
Profit for the year	(15)	89	74	**37**	(78)

Analytical Properties Holdings Limited - unlisted property investment company. The company owns 50 per cent of the issued share capital and issued 7.3 per cent loan stock of Analytical Properties Holdings Limited. The remaining 50 per cent is owned by the Bank of Scotland. The company is incorporated and operates in England and Wales and has issued share capital of 3,658,000 ordinary shares of £1 each. The company is managed by a board of directors with neither party having overall control.

Dragon Retail Properties Limited - unlisted property trading and investment company. 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 (2001:500,000 ordinary shares of £1 each). The company is managed by a board of directors with neither party having overall control.

13. Investments

Group	Total	Shares in joint ventures	Loan Stock in joint ventures	Investment in associate	Unlisted shares
	£000	£000	£000	£000	£000
Cost or valuation at 1 January 2002	3,724	873	-	2,846	5
Increase in share of assets of joint ventures and associate	4,423	2,055	1,829	539	-
Cost or valuation at 31 December 2002	**8,147**	**2,928**	**1,829**	**3,385**	**5**

Company	Total	Shares in subsidiary companies	Shares in joint ventures	Loan Stock in joint ventures	Shares in associate	Unlisted Shares
	£000	£000	£000	£000	£000	£000
Cost at 1 January 2002	536	9	164	-	358	5
Additions	3,658	-	1,829	1,829	-	-
Cost at 31 December 2002	**4,194**	**9**	**1,993**	**1,829**	**358**	**5**

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 Investments. 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	**2002**	2001
	£000	£000
Bisichi Mining PLC - listed mining and property investment company		
Group share of:		
Turnover	**2,213**	1,692
Profit before tax	**235**	92
Taxation	**(86)**	(33)
Profit after tax	**149**	59
Fixed assets	**6,188**	4,150
Current assets	**611**	469
Liabilities due within one year	**(1,334)**	(1,002)
Liabilities due in over one year	**(2,099)**	(759)
Net assets	**3,366**	2,858

The company owns 42 per cent (2001- 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 is an associated undertaking by virtue that London & Associated Properties PLC has a participating interest in the undertaking and actually exercises significant influence over it. The company has an independent board of directors which controls its operating and financial policies.
The market value of this investment at 31 December 2002 was £1,502,734 (2001:£1,633,407).

14. Debtors

Group and company	2002	2001
	£000	£000
Trade debtors	661	723
Amounts due from associate and joint ventures	385	291
Other debtors	55	266
Prepayments and accrued income	274	539
	1,375	1,819

15. Investments held as current assets

Group and company	2002	2001
	£000	£000
Market value of the listed investment portfolio	2,385	2,965
Unrealised excess of market value over cost	192	460
Listed investment portfolio at cost	2,193	2,505

All investments are listed on the London Stock Exchange

16. Creditors: Amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank overdrafts (unsecured)	5,253	3,548	5,253	3,548
Bank loan (secured)	600	300	600	300
Amounts owed to subsidiary companies	-	-	15	15
Amounts owed to joint ventures	174	163	174	163
Corporation tax	390	45	390	45
Other taxation and social security costs	454	1,146	454	1,146
Proposed dividend	1,141	1,025	1,141	1,025
Other creditors	710	757	710	757
Accruals and deferred income	4,201	5,006	4,201	5,006
	12,923	11,990	12,938	12,005

17. Creditors: Amounts falling due after more than one year

Group and company	2002	2001
	£000	£000
Term borrowings		
Debenture stocks		
£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 *	9,671	9,655
	21,371	21,355
Long term bank loans	24,600	25,200
	45,971	46,555

*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) 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.

b) A long term bank loan facility of £21 million 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 million 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.

18. 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 2002, cash at bank and in hand amounted to £6,718,000 (2001: £3,840,000) which is invested in short term bank deposits maturing within one year bearing interest at the banks' variable rates.

Financial liabilities maturity

	Group and Company	
	2002	2001
	£000	£000
Repayment of borrowings		
Bank loans and overdrafts:		
Repayable within one year or on demand	**5,853**	3,848
Repayable in more than one year but not more than two years	**600**	600
Repayable in more than two but not more than five years	**2,000**	1,800
Repayable in more than five years	**22,000**	22,800
	30,453	29,048
Debentures:		
Repayable in more than five years	**21,700**	21,700
	52,153	50,748

The group has undrawn banking facilities at 31 December 2002 of £7,247,000 (2001: £8,940,000), which expire within one year.

Interest rate risk and hedge profile

58.4 per cent (£30,453,000) (2001: 57.3 per cent (£29,048,000)) of the group's borrowings is at variable rates of interest with the remaining 41.6 per cent (£21,700,000) (2001: 42.7 per cent (£21,700,000)) at fixed rates of interest. The fixed rate and weighted average period for which the borrowing is fixed is 9.69 per cent (2001: 9.69 per cent) and 16.5 years (2001:17.5 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	Market value	**2002 Fair value adjustment**	2001 Fair value adjustment
	£000	£000	**£000**	£000
Debenture stock	21,700	28,205	**(6,505)**	(5,601)
Tax at 30% (2001: 30%)			**1,952**	1,680
Post tax fair value adjustment			**(4,553)**	(3,921)
Post tax fair value adjustment - basic pence per share			**(5.69)**	(4.97)

The fair values were calculated by the directors as at 31 December 2002 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.

19. Provisions for liabilities and charges

Group and company	2002 £000	2001 £000 Restated
Deferred Taxation		
Balance at 1 January 2002 as previously reported	**127**	110
Prior year adjustment *(note 29)*	**1,422**	1,327
As restated	**1,549**	1,437
Transfer to profit and loss account *(Note 7)*	**108**	112
Balance at 31 December 2002	**1,657**	1,549

	2002 £000	2001 £000 Restated
The deferred tax balance comprises the following:		
Accelerated capital allowances	**1,537**	1,405
Short-term timing differences	**120**	144
Provision at end of period	**1,657**	1,549

20. Share capital

	2002 £000	2001 £000
Authorised: 110,000,000 (2001:110,000,000) ordinary shares of 10p each	**11,000**	11,000
Allotted, issued and fully paid: 80,090,264 (2001:78,833,589) shares of 10p each	**8,009**	7,883

In July 2002 1,026,675 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 £324,429 of which £221,762 was credited to the share premium account.

Share Option Schemes

Employees' Share Option Scheme

At 31 December 2002 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
495,000	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
225,000	21.75p	6 November 2001 to 5 November 2008
1,086,600		

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 2002 is as follows:

	At 1 January 2002	Changes during the year Options Exercised	31 December 2002
Shares issued to date	1,111,804	230,000	1,341,804
Options granted which have not been exercised	1,316,600	(230,000)	1,086,600
Shares allocated over which options have not yet been granted	1,699,955	-	1,699,955
Total shares allocated for issue to employees under the scheme	4,128,359	-	4,128,359

The consideration for the 230,000 options exercised, with a nominal that of 10 pence each, was £55,763.

20. Share capital *(continued)*

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 2002 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 2002-7 March 2009

A summary of the shares allocated and options issued under the scheme up to 31 December 2002 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

21. Reserves

		Share premium account	Capital redemption reserve	Re-valuation reserve	Other reserves	Retained earnings
Group		£000	£000	£000	£000	£000
Balance at 1 January 2002	Restated	4,264	15	25,927	429	11,408
Surplus on valuation of investment properties		-	-	2,936	-	-
Premium on shares issued		254	-	-	-	-
Issue expenses		(9)	-	-	-	-
Retained profit for year		-	-	-	-	702
Currency translation difference on foreign currency net investments		-	-	-	-	90
Transfer of realised revaluation profit		-	-	(3,082)	-	3,082
Balance at 31 December 2002		4,509	15	25,781	429	15,282
Company						
Balance at 1 January 2002	Restated	4,264	15	23,532	-	11,029
Surplus on valuation of investment properties		-	-	2,408	-	-
Premium on shares issued		254	-	-	-	-
Issue expenses		(9)	-	-	-	-
Retained profit for year		-	-	-	-	555
Transfer of realised revaluation profit		-	-	(2,861)	-	2,861
Balance at 31 December 2002		4,509	15	23,079	-	14,445

22 Cash flow statement notes

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

	2002 £000	2001 £000
Operating profit	**4,637**	5,912
Depreciation charges	**92**	100
Loss (Profit) on disposal of fixed assets	**3**	(10)
Inflow from compensation from early surrender of lease	**-**	1,329
Dividend from associated company	**44**	44
Dividend from joint ventures	**40**	40
Decrease in debtors	**270**	225
(Decrease) increase in creditors	**(1,139)**	372
Decrease (increase) in current asset investments	**312**	(100)
	4,259	7,912

b) Analysis of net debt

	At 1 January 2002 £000	Cash flow £000	Other movements £000	At 31 December 2002 £000
Bank balances in hand	3,840	2,878	-	**6,718**
Bank overdrafts	(3,548)	(1,705)	-	**(5,253)**
Debt due within one year	(300)	300	(600)	**(600)**
Debt due after one year	(46,900)	-	600	**(46,300)**
Current asset investments	2,505	-	(312)	**2,193**
	(44,403)	1,473	(312)	**(43,242)**

23 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:			
Analytical Property Holdings Limited			
Share capital and loan stock	11	-	3,658
Current account	12	(162)	-
Dragon Retail Properties Limited			
Current account	14	49	-
Loan account	3	-	163
Bisichi Mining PLC	260	324	-
Totals at 31 December 2002	**300**	**211**	**3,821**
Totals at 31 December 2001	253	128	3

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

23 Related party transactions *(continued)*

Analytical Property Holdings Limited (joint venture)
Analytical Property Holdings Limited is 50 per cent owned by the company and 50 per cent by the Bank of Scotland. The company was formed during 2002 to acquire shopping centres for the joint venture partners.

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 both joint ventures. 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.

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

24 Employees

The average number of employees, including directors, of the group during the year involved in management and administration was 39 (2001: 35)

	2002	2001
	£000	£000
Staff costs during the year were as follows:		
Salaries and other costs	**1,111**	996
Social security costs	**116**	115
Pension costs	**93**	84
	1,320	1,195

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.

25 Capital commitments

Group and company	**2002**	2001
	£000	£000
Approved capital expenditure not committed for at the year end	**1,500**	3,070
Approved capital expenditure which had been committed but not contracted for at the year end	**424**	-
Commitments to capital expenditure contracted for at the year end	**2,161**	287

26 Commitments under operating leases

At 31 December 2002 the group and the company had annual commitments under non-cancellable operating leases, on land and buildings expiring in more than 5 years totalling £197,000 (2001: £197,000).
In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £427,000 (2001: £433,000), the leases on which expire in more than fifty years.

27 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.

28 Post balance sheet event

On 24 January 2003 the company agreed to sell its Balsall Heath, Birmingham freehold investment property for £1,080,000. The sale is expected to complete in early April and the sale will be recognised in the accounts for the year ended 31 December 2003.

29 Prior year adjustment

The adoption of FRS 19 requires a change in accounting policy so as recognise in full deferred tax liabilities that had not previously been recognised as they were not expected to crystallise in the foreseeable future. As a result the financial statements have been restated to reflect this change in accounting policy.

The change in accounting policy has resulted in an increase in the tax charge in 2002 of £72,000 (2001: £94,000).

The increase in the net deferred tax of £1,422,000 at 31 December 2001 is set out in Note 19. The net decrease in the net assets and reserves of £1,434,000 has been stated as a prior year adjustment in calculating total gains recognised since the last Annual Report in the Statement of Total Recognised Gains and Losses.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixty Third Annual General Meeting of London & Associated Properties PLC will be held at Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH on Wednesday 4 June 2003 at 10.30 am for the transaction of the following business:

Ordinary business

1 To receive and adopt the directors' report, annual accounts and auditor's report for the year ended 31 December 2002. **(Resolution 1)**

2 To declare and approve a final dividend of 1.425 pence per share. **(Resolution 2)**

3 To re-elect as a director Barry J O'Connell. **(Resolution 3)**

4 To re-elect as a director Michael C Stevens. **(Resolution 4)**

5 To approve the Remuneration Report. **(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 empowered pursuant to section 95 of the Companies Act 1985 (the Act) to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred upon them for the purposes of section 80 of the Act by resolution passed on 29 May 2002 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 the allotment 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 10 pence each in the company (Ordinary Shares) where the equity securities are allotted in proportion (or as nearly as may be) to the respective number of Ordinary Shares held by them 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 £400,451 representing approximately 5 per cent of the issued capital of the company; and

(c) to the allotment for cash of up to 4,000,000 Ordinary Shares in connection with the scrip dividend offer referred to in Resolution 9; 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 140 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 10 pence each in the company, credited as fully paid, instead of all or part of the final dividend for the 12 months ended 31 December 2002.

(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 otherwise 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 Act) 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 8,009,026 (representing approximately 10 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 2004 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
18 March 2003

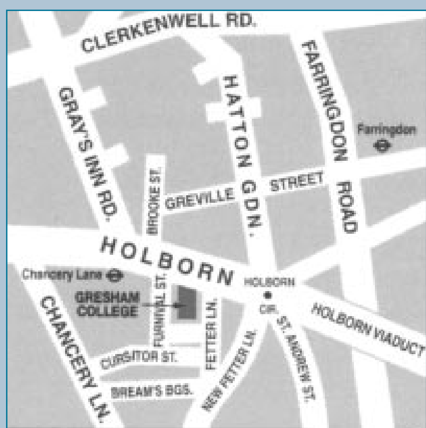
By order of the board
Michael Stevens
Secretary

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, Capita Registrars, The Registry, 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 a member from attending and voting at the meeting if they wish. A form of proxy is enclosed.
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 10.15 a.m on the day of the meeting at the place 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.

The Annual General Meeting will be held at Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH.

The nearest tube station is Chancery Lane on the Central Line, 100 metres from Barnard's Inn.



Five year financial summary

	2002	2001 Restated	2000 Restated	1999 Restated	1998 Restated
Portfolio size	**£m**	£m	£m	£m	£m
Investment properties-group	**96**	98	100	96	75
Investment properties-joint ventures	**53**	6	5	4	3
Investment properties-associate	**11**	8	8	7	6
	160	112	113	107	84
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**50.95**	1.36	2.09	17.22	3.40
Disposals	**(6.15)**	(4.83)	(0.86)	(0.40)	(1.58)
Capital Expenditure	**1.29**	1.45	0.87	1.37	1.13
	46.09	(2.02)	2.10	18.19	2.95
Consolidated profit and loss account	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures	**8.34**	8.92	8.98	8.05	7.47
Less: share of joint ventures	**(0.32)**	(0.23)	(0.17)	(0.14)	(0.03)
Group rental income	**8.02**	8.69	8.81	7.91	7.44
Profit before interest and tax	**6.06**	6.55	6.61	5.72	5.50
Profit before tax	**2.45**	2.32	2.17	2.10	2.01
Taxation	**0.61**	0.01	0.52	0.78	0.63
Profit attributable to shareholders	**1.84**	2.31	1.65	1.32	1.38
Earnings per share - basic	**2.32p**	2.95p	2.14p	1.73p	1.83p
Earnings per share - fully diluted	**2.30p**	2.91p	2.06p	1.68p	1.77p
Dividend per share	**1.425p**	1.30p	1.20p	1.10p	1.00p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders funds	**54.03**	49.93	47.54	44.11	39.69
Adjustment of current asset investments to market value	**0.19**	0.46	0.87	1.32	0.72
Consolidated net assets*	**54.22**	50.39	48.41	45.43	40.41
Net borrowings*	**43.05**	43.94	48.86	47.42	33.17
Net gearing*	**79.40%**	87.21%	100.95%	104.38%	81.61%
Net assets per share * - basic	**67.69p**	63.92p	62.37p	59.47p	53.63p
- fully diluted +	**66.98p**	63.15p	58.91p	56.35p	50.91p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Net cash inflow (outflow) from operating activities	**4.26**	7.91	6.35	6.64	4.48
Capital investment and financial investment	**1.22**	2.78	(1.88)	(17.29)	0.22
Increase (decrease) in debt during year	**(1.16)**	(5.33)	1.00	14.85	(1.23)

Notes:
* Including the investment portfolio at market value.
+ Based on net assets after issue of share options.