LONDON & ASSOCIATED PROPERTIES PLC

Retail Property Investors

Annual Report & Accounts 2004

2004

Annual General Meeting
Wednesday 25th May 2005

Payment of final dividend for 2003
Friday 8th July 2005 (if approved)

Announcement of interim results to 30 June 2004
September 2005

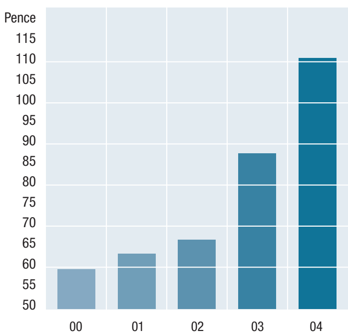
Announcement of results for the year ended 31 December 2004
Mid March 2006

> "LAP is currently in an unprecedented position of strength. We have a number of significant value enhancing projects underway, we have over £30m in cash and undrawn facilities, and we have a carefully chosen core portfolio of shopping centres where tenant demand is at a record level. I therefore look forward with confidence to the future."

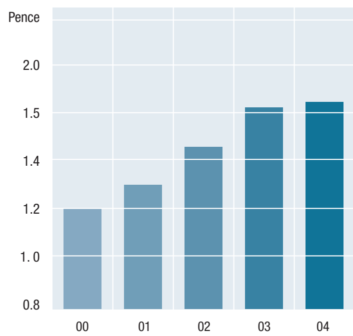
Michael Heller, Chairman

- Fully diluted net assets grew to 111.02p a share + 25%
- Wholly owned shopping centres valued at £108.3m + 9.2%
- Value of joint venture properties rose to £124m + 14%
- Annual rent roll currently £7.8m against ERV of £8.4m
- Pre-tax profits increased to £3.02m from £2.81m + 8%
- Final dividend of 1.65p per share recommended + 8.2%
- Compound dividend growth over past five years + 8.45%
- Interim dividend to be restored during current year
- Planning consent for partial redevelopment of King Edward Court, Windsor secured and virtually all new space pre-let

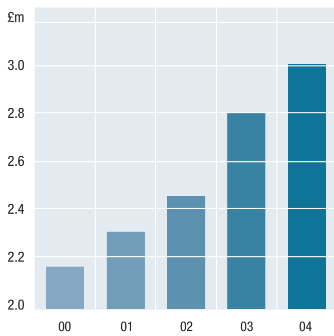
Fully diluted net assets per share



Dividend per share



Profit before tax



Chairman's Statement

Over the 12 months to 31 December 2004 LAP's fully diluted net assets grew by 25% to 111.02p a share from last year's 88.58p reflecting the uplift in our net assets which, including our listed share portfolio at market value, rose to £91.2 million against £72.8 million in 2003. Indeed, when the market value of our 42% owned associate Bisichi Mining plc is taken into account, fully diluted net assets further rise to 114.71p a share and net assets stand at £94.2 million.

Our wholly owned shopping centres increased in value by 9.2% over the year to £108.3 million while those owned by Analytical Properties, our joint venture with Bank of Scotland, grew by 14% to £124 million. Today LAP owns or manages, on behalf of Bisichi, Dragon Retail Properties and Analytical, retail properties valued at over £250 million compared to £219 million a year ago.

Pre-tax profits for the period rose by 8% from £2.81 million to £3.02 million. Fully diluted earnings per share fell marginally to 2.80p from 2.97p due to an increased tax charge.

The Board is recommending a final dividend of 1.65p a share, an increase of 8.2% which, if agreed by shareholders, will be paid on 8 July 2005 to those shareholders on the register as at 17 June 2005. Over the past five years there has been a compound dividend growth of some 8.45%.

The Board feels it is no longer appropriate to issue shares as an alternative to a cash dividend at a discount to net assets, which is dilutive, and consequently there will be no scrip alternative this year. However, the Board intends to restore payment of an interim dividend during the course of the current year.

Sales during the year amounted to £4.4 million. Since the year end, we have also disposed of The Moor Centre at Brierley Hill, West Midlands for £4.85 million. Total sales over the past two years amount to over £20 million and the proceeds have been added to our cash balances. This reflects our ongoing strategy of selling mature properties into a strong investment market.

On a like for like basis, the net rental income from our directly owned portfolio rose by £280,000. This figure is made up of £416,000 of new lettings and rent reviews, while we lost £136,000 as units became empty. Of this lost income, some 70% was as a result of deliberately vacating units pending their redevelopment.

Over the 12 months to 31 December 2004, LAP's fully diluted net assets grew by 25% to 111.02p a share, reflecting the uplift in our net assets which rose to £91.2 million

The annual rent roll of our portfolio now stands at £7.8 million against £7.9 million previously. Voids remain extremely low and, including those held empty for redevelopment, account for less than 2% of the portfolio. The estimated rental value of the portfolio is £8.4 million.

The biggest event during 2004 was our success in obtaining planning permission for the redevelopment of part of King Edward Court, Windsor, which is owned by Analytical Properties in a joint venture with the Bank of Scotland. Our ability to obtain this planning consent at the first attempt in a sensitive location reflects our ability to work closely and successfully with local authorities and I congratulate our management team on achieving this. Virtually the entire redevelopment, amounting to some 170,000 square feet gross, is pre-let and will increase the amount of retail space at King Edward Court by over 50,000 square feet.

The tenants to whom we have pre-let units are of the highest quality, and once the scheme is completed we anticipate a substantial uplift in capital value as income across the entire shopping centre increases to match the rental levels obtained in these new units.

Development is currently underway and funding for the anticipated £16.5 million construction costs is being provided by the Bank of Scotland. A contribution towards the cost of the development will also be provided by the Royal Borough of Windsor and Maidenhead as freeholder.

During the year we invested £9.4 million in upgrading and improving our wholly owned portfolio. This included the £7.8 million acquisition of a substantial 15,000 square foot retail unit in Fargate which adjoins our Orchard Square shopping centre in Sheffield. We now have extensive frontage to the city's principal retail thoroughfare, and have the opportunity to amalgamate this unit into our shopping centre over the medium term. We also acquired for £560,000 a Post Office adjacent to our Mall shopping centre in Dagenham, which opens up a number of development opportunities which we are exploring.

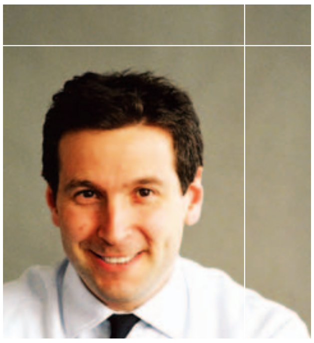
During the year we acquired 750,000 of our own shares at an average price of 76.6p which have been retained as Treasury shares. The Board continues to look for ways to create shareholder value and, in the absence of suitable property investment opportunities, may acquire further shares in the future.

Elsewhere I am pleased to report that Dragon Retail Properties, our joint venture with Bisichi, has also performed well with net assets increasing by 14.3% to £3.2 million following a number of profitable disposals. Bisichi Mining has had a good year with profit before tax rising to £2.0 million (2003: £1.5 million). Bisichi's South African coal mining subsidiary has undertaken several initiatives during the year that should ensure further good progress over the coming periods with increased coal production and a higher average selling price.

I would like to take this opportunity to thank all my Board colleagues, LAP staff and advisors for their hard work over the past 12 months. This has been an exceptional year for LAP and this level of progress would not have been possible without the contribution of a large number of people.

LAP is in an unprecedented position of strength. We have a number of significant value enhancing projects underway, we have over £30 million in cash and undrawn facilities, and we have a carefully chosen core portfolio of shopping centres where tenant demand is at a record level. I therefore look forward with confidence to the future.

Michael Heller, Chairman
21 March 2005



The year under review was another one of outstanding growth in our investment portfolio. At the end of December 2004 the gross value of our directly owned portfolio, comprising town centre shopping centres, was valued at £108.3 million representing growth of 9.2% on a like for like basis. At the same time, we sold £4.4 million of mature property and made two strategic acquisitions adjacent to our shopping centres in Sheffield and Dagenham at a combined gross cost of £8.4 million.

Analytical Properties, our joint venture with the Bank of Scotland, also had an exceptional year. Its two properties, King Edward Court in Windsor and Church Square in St Helens, were valued at £124 million, an uplift of 14%. LAP manages these properties on behalf of Analytical, and today LAP owns or manages more than £250 million of property on behalf of Analytical, Bisichi Mining and Dragon Retail Properties.

Chief Executive's Report

Today, LAP owns or manages more than £250 million of property

During 2004 we contracted further net rents in our directly owned portfolio of over £280,000 following a series of new lettings and rent reviews. Many of these were at record rents, and have, in part, been achieved because we still have an extremely low void level of 2% of gross rental income. Rental growth has also been achieved as we have developed new units to meet modern retailer requirements. These units are then capable of attracting the best retailers able and willing to pay top rents.

Rental income from our directly owned properties now stands at £7.8 million per annum compared to £7.9 million in 2003. This is a particularly satisfactory performance following the sale of over £20 million of directly owned property in the last two years. This year is the first time that the full impact of the lost income, amounting to £815,000, has been reflected in the profit and loss account, as the majority of disposals took place in late 2003. Much of the rental income lost in these disposals has not yet been replaced except for the strategic properties acquired in Sheffield and Dagenham. This shows the underlying growth in the core portfolio which we have retained.

I will now report in greater detail on our principal shopping centres.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Directly held portfolio

Orchard Square, Sheffield

In March, we acquired the freehold of the Dixons unit which is immediately adjacent to Orchard Square for £7.8 million gross. The acquisition was paid for entirely out of a revolving credit facility provided by the Royal Bank of Scotland. Dixons' lease runs until 2012 at over £400,000 per annum with a rent review in 2007. The acquisition creates an opportunity, over the medium term, to develop a substantial flagship unit of about 20,000 square feet with extensive frontage on to Fargate.

Elsewhere at Orchard Square, we have once again, created a unit on land that was previously non-income producing. We developed a unit to the rear of the shopping centre at a cost of about £200,000 which we have let to Subway, the international sandwich retailer, at £35,000 a year. This rent equates to approximately £68 a square foot, further underpinning future rent reviews at Orchard Square.

The rent review programme continues to bring excellent rental growth, and during the course of 2004 we achieved net growth in rents of over £76,000 a year, which was ahead of expectations.

Saxon Square, Christchurch

Saxon Square continues to perform well for us and retailer demand there is as strong as ever. During 2004 we continued negotiations with the planning officers at the local authority over the redevelopment of a number of small units at the weakest end of the shopping centre. We are looking to build a unit of around 5,000 square feet to act as an anchor at that end, as well as approximately 10 residential units. Progress has to date been slow although it must be recognised that this is a sensitive site in a conservation area. However, both LAP and the council are keen to find a mutually satisfactory solution, and I remain confident that this will be achieved in the near future.

Analytical Properties, our joint venture with the Bank of Scotland, also had an exceptional year. Its two properties, King Edward Court in Windsor and Church Square in St Helens, were valued at £124 million, an uplift of 14%.

Elsewhere in the centre, we split a unit previously let at £21,900 per annum and re-let part of it to Toni & Guy hairdressers at an annual rent of £32,500. The remainder of the unit will, in due course, be amalgamated with two small adjacent shops.

We have also obtained planning consent for a café in the centre and are at an advanced stage of negotiation with a national coffee bar operator to take a lease. The unit will be created out of what was previously ancillary space in an adjacent unit.

We have achieved good growth at rent review at Saxon Square and we added £57,000 to the annual rent roll in 2004.

The Mall, Dagenham

During 2004 we acquired for £560,000 the long leasehold of the Post Office adjacent to The Mall. This unit can be amalgamated into our centre, but more importantly, ownership of the Post Office enables us to expand our shopping centre to the rear. We are exploring with our professional team a number of exciting opportunities which have only become available following this purchase.

During the year we contracted a net incremental rent of £79,000 per annum.

Kings Square, West Bromwich

Kings Square continues to be popular with retailers and during the year we achieved four new lettings in the centre. These were only possible as a result of our active participation as we negotiated surrenders with and relocated some existing tenants, and redeveloped one large unit into two better configured ones. This enabled us to introduce a number of new national tenants to the Centre, all at substantial increases in annual rent compared to their predecessors. These include Cardfair, Raid Shoes and Vodafone, which is paying over £70 per square foot compared to the previously achieved highest rent of £65.

Joint Ventures

King Edward Court, Windsor

It was a year of dramatic progress at King Edward Court. In July we were granted planning consent for a development that will see us demolish approximately 55,000 square feet of buildings comprising an old Waitrose supermarket, a snooker club and a number of small lock-up shops, as well as 27,000 square feet of offices. We will construct in their place over 100,000 square feet of new prime retail space and a 113 bed hotel which was pre-let at the end of 2003 to Travelodge. We will also refurbish the town's principal car park that forms part of our centre.

The retail space has been divided into four units, totalling some 60,000 square feet. They have been pre-let to Zara and Hennes who are new to Windsor, as well as New Look which is relocating from Peascod Street, traditionally seen as Windsor's prime shopping location. On the first floor, we are creating a new 42,500 square foot supermarket for Waitrose. These units, plus the Travelodge hotel, will produce £2.2 million per annum gross and we estimate a total annual rental value of over £2.4 million for this block when all lettings are completed. The previous rents here totalled £1.1 million a year. These figures do not allow for the additional income that we anticipate generating from the car park following its refurbishment.

The new lettings equate to £125 per square foot compared to a current rental level of between £97 and £101 per square foot, and rents passing at the time of acquisition of around £80 per square foot. We have deliberately retained one 5,000 square foot unit with a view to marketing it towards the end of 2005. We believe that we will achieve higher rental levels as the development nears completion.

Although demolition is underway, the construction contract will be awarded in the next three months. We anticipate construction costs of around £16.5 million including the car park. The Council, as freeholder, is contributing towards these costs approximately pro-rata to the head lease gearing. The balance of the financing will be provided by the Bank of Scotland as a development loan. Construction is scheduled to complete in late 2006.

Waitrose is maintaining its presence at King Edward Court during the construction period by taking a temporary lease at a rent of £150,000 per annum on a 4,500 square foot unit which we created by extending a double unit to the rear. The unit had previously been let to Superdrug at an annual rent of £118,000. Waitrose will vacate this unit as soon as its new store is ready. We are already aware of strong tenant demand for this type of larger unit in a prime position.

Elsewhere at King Edward Court, the lease renewals of ten units have led to three tenants deciding to leave. The largest of these units was let to Thomas Cook at £87,000 per annum. We are currently on site to divide this poorly configured unit into two better shaped shops. These have been pre-let to Costa Coffee, which is new to the shopping centre, and to Timpsons, the national retailer, which was displaced by the redevelopment of its previous unit. The total rent for these units will be over £105,000 a year and construction costs will be around £200,000.

The remaining two vacant units, which are next door to each other, will be amalgamated and extended to create a single unit with approximately 3,600 square feet of trading space at ground floor. Preliminary interest from retailers has been most encouraging, and this unit, along with the one let temporarily to Waitrose, will meet some of the demand for medium size units that currently cannot be fulfilled within the town.

Church Square, St Helens

The first full year of Analytical's ownership of this shopping centre has been a success, and we have exceeded the targets that were set at the time of acquisition.

In March, Argos vacated its shop which was large and poorly configured. We divided the unit into two and these units have now been let to St Helens Rugby Club and Gamestation at a total rent of £137,500 a year compared to £122,000 previously. Costs of splitting the unit were £150,000.

In 2004, we contracted an additional £193,000 of annual rent at review which exceeded estimated rental values at the time of acquisition. In addition, we contracted a further £220,000 a year of space through new lettings. During our ownership since August 2003, the rent has increased by over 6% to £5.5 million a year.

We continue to work closely with the local authority to explore ways of extending the shopping centre to create additional retail space. Interest from retailers is encouraging and we expect to continue to make progress during the coming year. Any development will be subject to negotiating with occupational tenants and should therefore be considered a medium term project.

In line with our ongoing policy, we have continued to dispose of properties where we no longer see opportunities to grow rental income and capital values. During 2004 we disposed of Hebburn Shopping Centre in Hebburn, South Tyneside for £4.4 million in cash. We have also since the year end disposed of The Moor Centre, Brierley Hill for £4.85 million in cash. Both of these sales were at a surplus to book value.

We currently have no further properties under offer although we continue to look critically at all of our portfolio and will dispose of any investments whose potential we feel we have maximised.

The year has started well and demand for our shops from occupiers continues to be encouraging. I remain confident as we progress through 2005.

John Heller.

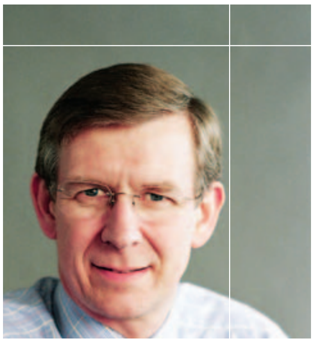
John Heller, Chief Executive
21 March 2005

The year has started well and demand for our shops from occupiers continues to be encouraging. I remain confident as we progress through 2005.

During our ownership of Church Square since August 2003, the rent has increased by over 6% to £5.5 million a year


KINGS SQUARE
NEWS
Video
GAME
GAME
GAME
GAME

Finance Director’s Report



Cash Flow

The cash and facilities currently available to the group have increased to over £30 million (2003: £20 million). The main reason for this increase was the sale of our investments at Hebburn and, since the year end, at Brierley Hill. The increase also reflects the negotiation of new banking facilities together with the cash generated from our property portfolio.

In April 2004, we signed a new seven year £20 million Revolving Credit Facility. To date we have drawn £8.4 million to finance the strategic purchase of the new Dixons unit in Sheffield and the Post Office in Dagenham.

During the year we purchased 750,000 shares into treasury at a cost of £581,000. This was paid for with cash below net asset value per share, thus improving the net asset value and earnings per share.

We now have 51.3% of our term debt hedged. 43.3% is at fixed rates of interest with the balance protected by an ‘interest rate collar’ to ensure we are not exposed to any wild fluctuations in interest rates. The remainder of our floating rate debt is linked to LIBOR.

Profit and Loss

Despite property disposals which resulted in a loss of rental income of £815,000 in 2003, the company’s rental income was £7.8 million (2003: £7.9 million). This reflects the active management of our portfolio.

Following the sale of properties in 2002 and 2003 the increased cash on deposit has led to a rise in interest receivable to £780,000 (2003: £330,000).

Even though the base rate has increased from 3.75% to 4.75% during 2004, our average cost of debt has risen only marginally to 7.5% (7.3% in 2003). This is a result of our prudent debt management and the hedging strategies we have adopted. Group interest payable was £7.1 million (2003: £5.7 million), of which £3.4 million (2003: £2.3 million) relates to joint ventures and associated companies. The remaining £3.7 million (2003: £3.4 million) is covered 1.7 times (2003: 1.7 times) by the company’s net income.

Taxation

Current year tax charge is 23.8% (2003: 14.4%). Last year’s tax charge was unusually low due to the release of the provisions for capital allowances relating to properties sold, under the FRS 19 Accounting Standard.

We have cash and facilities of £30 million. This follows successful implementation of our programme of disposals.

Balance Sheet

The group property portfolio, which includes the properties owned by Bisichi, Dragon Retail Properties and Analytical, grew in the year by 11.9% on a like for like basis. The net assets of the group have grown by 25% to £91.2 million (2003: £72.8 million), while the diluted net assets per share rose by 25% to 111.02p (2003: 88.58p) including current assets at market value. Bisichi Mining's share price at 31 December 2004 showed a surplus over its net asset value. This, if added to the net assets of the company, would lead to net assets of £94.2 million and a net asset value per share of 114.77p compared to 87.17p last year.

Gearing as at 31 December 2004 was 38.4% (2003: 38.6%) net of listed investments. If we exclude the cash held as agents for our joint venture, gearing is 41.5%, (2003: 42.4%).

The notional adjustment of the debt to 'fair value' of our term debt is currently 4.40p per share (2003: 4.83p). This would equate to a reduction in net assets of £3.6 million (2003: £3.9 million). It remains our policy not to repay long term debt early.

Dividend

A dividend of 1.65p is recommended, an 8.20% increase on last year and showing a compound growth of 8.45% over the last five years. The dividend is covered 1.7 times by profits after tax. This year we are no longer offering a scrip alternative, but it is our intention to pay an interim dividend.

Our associated company, Bisichi Mining, in which we hold a 42% stake, produced profits before tax of £2.0 million, an increase of 34% over the previous year. Shareholder funds grew by 30%. This growth was due to the good performance of Bisichi's coal mining subsidiary.

Dragon Retail Properties, our joint venture with Bisichi, also had another strong year with its net assets increasing by a further 14% to £3.2 million.

International Financial Reporting Standards (IFRS)

We reviewed the effect of the new accounting standards on our statutory accounts. The main effect to the balance sheet will be the inclusion of:

- The value of the contingent tax (deferred tax) that may arise on the sale of the properties for the year ending 31 December 2004 will be £7.4 million; and
- The marking of debt to fair value. This adjustment, which is the difference between the interest rates we are paying and current market rates, will be an increase of £3.6 million in the value of our debt as reported in our balance sheet.

These items are both currently shown in the notes to the accounts.

The changes to the Profit and Loss account will include certain items which we currently take direct to reserves. This may lead to distortions in the profit declared in any given year, although the overall cash position of the group will be unaffected.

As stated above we have cash and facilities of £30 million which will enable us to seize opportunities as they arise. This position of strength follows successful implementation of our programme of disposals of those properties we feel no longer offer opportunities for growth. We continue to look for ways to build shareholder value while continuing to prudently manage the company's finances.

Robert Corry, Finance Director
21 March 2005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Directors and advisers

Directors

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

John A Heller LLB MBA (Chief executive)

Robert J Corry BA FCA

Michael C Stevens FCA

#† **Barry J O'Connell (Non-executive)**
Barry O'Connell retired as chief executive of KP Foods, part of United Biscuits (Holdings) PLC, in 1991. He has been a member of the board since May 1988. He is the senior independent director and chairman of the remuneration committee.

† **L C John Brown FCA (Non-executive)**
John Brown is chairman of the audit committee. He has been a director since 1986. He practised as a chartered accountant for many years, both in the United Kingdom and the United States of America.

† **Howard D Goldring BSC (ECON) ACA (Non-executive)**
Howard Goldring has been a member of the Board since July 1992 and is a global asset allocation specialist. He is chairman of Delmore Asset Managment Limited which manages investment portfolios and provides global asset allocation advice to pension funds and family offices. From 1997-2003 he was consultant director on global asset allocation to Liverpool Victoria Asset Management Limited.

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
Olswang
Charles Russell
Halliwells, London
Kuit, Steinart, Levy & Co, Manchester
Pinsents, Leeds
Wragge & Co, Birmingham

Stockbrokers
Panmure Gordon

Registrars & transfer office
Capita Registrars, The Registry,
34 Beckenham Road, Beckenham,
Kent BR3 4TU
Telephone 0870 162 3100
Website: www.capitaregistrars.com
Email: ssd@capitaregistrars.com

Company registration number
341829 (England and Wales)

Website
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E-mail
Admin@laprops.co.uk

Directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2004.

Activities and review of business

The company is a property investment company deriving income primarily from rents, and from dividends, trading listed investments, and its share of results of the joint venture and associated companies. The company holds 42 per cent of the issued ordinary share capital of Bisichi Mining PLC which operates in England and South Africa and is listed on the London Stock Exchange. Bisichi Mining PLC and its subsidiaries are involved in overseas mining and mining finance, UK retail property investment and investment in listed securities. The reviews of activities during the year and future developments are contained in the Chairman's statement, and the results for the year are shown in the consolidated profit and loss account on page 25.

Dividends and shares

The directors recommend the payment of a final dividend for 2004 of 1.65p per ordinary share (2003: 1.525p). The final dividend will be payable on 8th July 2005 to shareholders registered at the close of business on 17th June 2005. No scrip dividend will be offered as the board feels it is no longer appropriate to issue shares at a discount to net assets, which is dilutive, as the cash saving has been significantly reduced following the growth in the company's share price.

On 6 April 2004 310,000 shares were issued under the terms of the share option schemes. In July 2004 610,236 ordinary shares were issued to shareholders who had elected to receive shares in lieu of a final dividend in cash. On 17 September 2004 the company bought 500,000 of its own ordinary shares, and a further 250,000 ordinary shares were purchased on 8 October 2004. These 750,000 shares are held in "Treasury" (see below).

Purchase of own ordinary shares for "Treasury"

During the year the company purchased 750,000 of its own ordinary shares of 10 pence each (being 0.91 per cent of issued ordinary shares) at a cost of £580,502. These shares are held in treasury and are available for re-issue at a future date. Treasury shares are not included in issued share capital or in the calculation of earnings per share and net assets per share, and they do not qualify for dividends.The reason for purchasing these shares into treasury was the availability of a significant volume of shares in the market at below net asset value per share, thus enhancing the value of net assets per share for remaining shareholders. At the AGM in June 2004 members renewed the authority for the the company to purchase up to 10 per cent of its issued ordinary shares. The company will be asking members to renew this authority at the next AGM in May 2005.

Investment properties

Ninety-nine per cent of the freehold and long leasehold properties were externally revalued as at 31 December 2004 by external professional firms of chartered surveyors - Allsop & Co., London (95.4 per cent of the portfolio), and Hill Woolhouse, Leeds (4.0 per cent) and the remaining properties were valued by the directors. The valuations, which are reflected in the financial statements, amount to £108.3 million (2003: £94.1million). The properties owned by the joint ventures, Analytical Properties group and Dragon Retail Properties Limited were also revalued together with the properties of the associate, Bisichi Mining PLC. The group revaluation reserve increased by £15.6 million (2003: £14.04 million). During the year the company acquired two additional investment properties at a cost of £9,361,000. The company also disposed of an investment property with a book value of £4,250,000.

Directors

M A Heller, L C J Brown, R J Corry, H D Goldring, J A Heller, B J O'Connell and M C Stevens were the directors of the company during the whole year. M A Heller, L C J Brown, B J O'Connell and H D Goldring 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:-

L C J Brown has been a non-executive director of the company since 1986, and has a contract of service determinable at three months notice. He is chairman of the audit committee and a member of the nomination and remuneration committees. John Brown is a chartered accountant who has spent much of his career in public practice in the United Kingdom and the United States.

H D Goldring has been a director since 1992 and has a contract of service determinable at three months notice. He is a member of the audit, remuneration and nomination committees. Howard Goldring is a chartered accountant and global asset allocation specialist. He is chairman of Delmore Asset Management Limited which manages investment portfolios and provides global asset allocation advice to pension funds and family offices.

M A Heller is executive chairman and has been a director since 1971. He has a contract of employment determinable at six months notice. He is a chartered accountant and is also executive chairman of Bisichi Mining PLC. He is a member of the nomination committee.

B J O'Connell has been a director since 1988. He retired as Chief Executive of KP Foods in 1991. He is the senior independent director and chairman of the remuneration and nomination committees, and a member of the audit committee. His contract is determinable at three months notice.

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 04	1 Jan 04	31 Dec 04	1 Jan 04
M A Heller	4,871,757	4,871,757	20,870,634	20,492,762
L C J Brown	98,179	95,842	6,232	6,086
R J Corry	92,477	34,676	-	-
H D Goldring	2,080	2,080	-	-
J A Heller	1,010,000	1,010,000	†15,870,634	15,492,762
B J O'Connell	122,960	120,033	-	-
M C Stevens	334,744	329,211	+337,447	329,413

†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. (Please see note 23 and the directors' remuneration report).

No changes in these holdings have taken place since 31 December 2004.

Details of the options to subscribe for new ordinary shares of the company granted to the directors are contained under "Share option schemes" in the remuneration report on page 21.

Substantial shareholdings

M A Heller and his family have an interest in 45.3 million shares of the company, representing 55.5 per cent of the issued share capital. The company is not aware of any other holdings exceeding 3 per cent of the issued share capital. There have not been any material changes to these holdings since 31 December 2004.

Corporate governance

The company has adopted the Guidance for Smaller Quoted Companies published by the Quoted Companies Alliance (QCA) in 2004. The QCA provides guidance to companies outside the FTSE 350 index, referred to generally as SQC's. The QCA's guidance covers the implementation of the Revised Combined Code on Corporate Governance for SQC's and the paragraphs below set out how the company has applied this guidance during the year. The company has complied with the QCA's guidance throughout the year.

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 the company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles in a sensible and pragmatic fashion having regard to the individual circumstances of the group's business. The key objective is to enhance and protect shareholder value.

Board structure

During the year the board comprised the executive chairman and the chief executive, two other executive directors and three non-executive directors. Their details appear on page 15. 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 24. 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 B J O'Connell 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 B J O'Connell. The report on directors' remuneration is set out on pages 20 and 21.
- The audit committee comprises the three non-executive directors and is chaired by L C J Brown. The audit committee report is set out on page 22.

Assessment of directors' performance.

The performance of the non-executive directors is assessed by the chairman and the chief executive and is discussed with the senior independent director. Their recommendations are discussed at the nomination committee prior to proposals for re-election being recommended to the board. The performance of executive directors is discussed and assessed by the remuneration committee. The directors will take outside advice in reviewing performance but have not found this necessary to date.

Independent directors

The senior independent non-executive director is B J O'Connell. The other independent non-executive directors are L C J Brown and H D Goldring.

Delmore Investments Limited is a company in which H D Goldring is a majority shareholder and director. Delmore provides financial services to the company on a fee basis. L C J Brown, H D Goldring and B J O'Connell have been directors of the company for over nine years. For these reasons the criteria for independence set out in the Revised Combined Code are not entirely met. Despite this, the board considers that L C J Brown, B J O'Connell and H D Goldring are independent.

The independent directors regularly meet prior to board meetings to discuss corporate governance issues.

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 2004 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.

Payment of suppliers

The company and the group agree 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 17.8 days annual trade purchases (2003: 9.2 days).

Disapplication of pre-emption rights

Shares allotted for cash must normally first be offered to shareholders in proportion to their existing shareholdings. The directors will, at the forthcoming Annual General Meeting of the company **(Resolution 10)**, seek authority to allot shares for cash as if the pre-emption rights contained in Section 89(1) of the Companies Act 1985 did not apply up to a maximum of 5% of the company's issued share capital. The authority will expire at the conclusion of the company's annual general meeting in 2006.

Purchase of own ordinary shares

The effect of Resolution 11 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 8,156,697 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 shares 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. In exercising the authority to purchase ordinary shares, the directors may treat the shares that have been bought back as either cancelled or held in treasury (or a combination of both).

Post balance sheet event

On 2 March 2005 the company completed the sale of its freehold investment in the Moor Centre, Brierley Hill, West Midlands for £4.85 million. Its valuation in the balance sheet at 31 December 2004 was £3.9 million. The sale will be recognised in the accounts for the year ended 31 December 2005.

Going concern

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

By order of the board
M C Stevens, Secretary
21 March 2005

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 2004.

The remuneration committee is a formally constituted committee and is comprised entirely of non-executive directors. The members of the committee are B J O'Connell (chairman), L C J Brown and H D Goldring.

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. Details of the directors standing for re-election are given under 'Directors' in the directors' report. It is the policy of the committee to issue employment contracts to executive directors with normal commercial terms and without extended terms of notice which could give rise to extraordinary termination payments.

Summary of directors' terms

	Date of contract	Unexpired term	Notice period
Executive directors			
M A Heller	1 Jan 1971	Continuous	6 months
J A Heller	1 May 2003	Continuous	12 months
R J Corry	1 Sept 1992	Continuous	6 months
M C Stevens	14 Oct 1985	Continuous	6 months
Non-executive directors			
L C J Brown	1 Dec 1986	Continuous	3 months
H D Goldring	1 July 1992	Continuous	3 months
B J O'Connell	1 May 1988	Continuous	3 months

The following information has been audited

Directors' Remuneration

	Salary and fees £'000	Bonus £'000	Pension Contributions £'000	Other Benefits £'000	Total 2004 £'000	Total 2003 £'000
Executive directors						
M A Heller*	7	-	-	37	44	42
J A Heller	185	163	15	27	390	333
R J Corry	143	43	29	20	235	204
M C Stevens	99	13	62	13	187	144
	434	219	106	97	856	723
Non-executive directors						
L C J Brown	18	-	-	-	18	17
H D Goldring	18	-	-	2	20	22
B J O'Connell	18	-	-	-	18	17
	54	-	-	2	56	56
Total remuneration for directors' service during the year					**912**	**779**

* see "Directors" below and Note 23

Pension schemes and incentives

Three (2003-three) directors have benefits under money purchase pension schemes. Contributions in 2004 were £106,000 (2003-£61,000) as set out in the table above. Directors are not entitled to benefits under any bonus or incentive schemes apart from the share option schemes details of which are set out below. Bonuses are awarded by the remuneration committee when merited. Performance bonuses were awarded by the remuneration committee to three executive directors during 2004.

Directors

Although M A Heller receives reduced remuneration in respect of his services to the group, the group does supply office premises, property management, general management accounting and administration services for a number of companies in which M A Heller has an interest. Further details of these services are set out in Note 23 of the financial statements.
H D Goldring's company, Delmore Investments Limited provides financial services to the group. This is dealt with in Note 23 of the financial statements.

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:

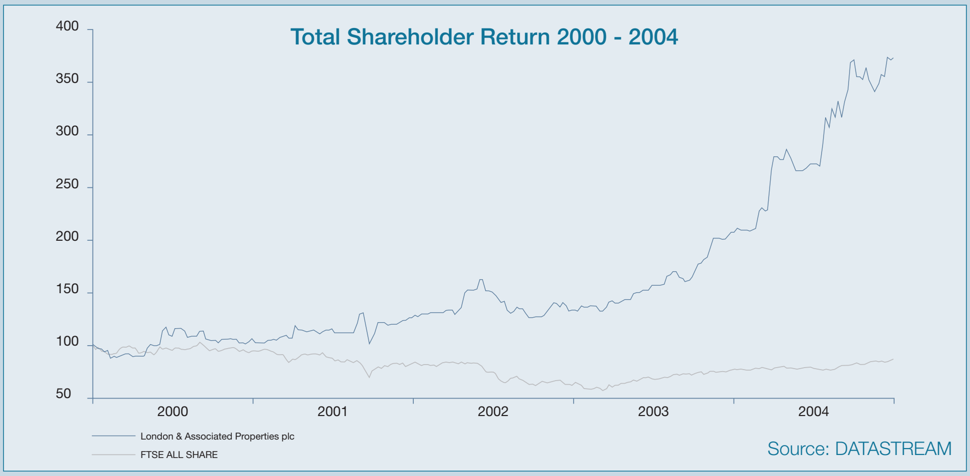
			Number of share options				
	Option price	1 January 2004	Granted in 2004	Exercised in 2004	31 December 2004	Exercisable from	to
Approved Scheme							
RJ Corry	42.5p	190,000	-	190,000	-	10 May 1997	9 May 2004
MC Stevens	38.5p	27,900	-	-	27,900	14 May 2000	13 May 2007
MC Stevens	21.75p	50,000	-	-	50,000	6 Nov 2001	5 Nov 2008
Unapproved Scheme							
R J Corry	25.66p	200,000	-	-	200,000	8 Mar 2002	7 Mar 2009
J A Heller	25.66p	200,000	-	100,000	100,000	8 Mar 2002	7 Mar 2009
M C Stevens	25.66p	50,000	-	-	50,000	8 Mar 2002	7 Mar 2009

Directors exercised options on a total of 290,000 shares at 61p per share during the year at an aggregate value of £70,000 in excess of the option price.
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 conform to institutional shareholder guidelines and best practice provisions.

The middle market price of London & Associated Properties PLC ordinary shares at 31 December 2004 was 81.5p (2003: 46.5p). During the year the share price ranged between 46.5p and 83.5p.

The following information is unaudited
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 graph illustrates the company's performance as compared with a broad equity market index over a five year period. Performance is measured by total shareholder return. The directors have chosen the FTSE All Share - Total Return Index as a suitable index for this comparison as it gives an indication of performance against a large spread of quoted companies.



B J O'Connell
Chairman, Remuneration Committee
21 March 2005

Audit committee report

to members of London and Associated Properties PLC

The committee's terms of reference have been approved by the board and follow published guidelines.

The audit committee comprises the three non-executive directors:

L C J Brown (chairman), a retired chartered accountant, H D Goldring, a chartered accountant and B J O'Connell. The audit committee's 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;
- monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;
- consider annually the need for an internal audit function;
- advise the board on the appointment of external auditors and rotation of the audit partner every five years and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
- undertake a formal assessment of the auditors' independence each year which includes:

    i) review of non-audit services provided to the group and related fees;

    ii) discussion with the auditors of their written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;

    iii) a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and

    iv) obtain written confirmation from the auditors that, in their professional judgement, they are independent.

Meetings

The committee meets annually following the external audit and prior to the publication of the annual results. This meeting is attended by the external audit partner, chief executive, finance director and company secretary. Prior to monthly board meetings the members of the committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.

During the past year the committee:

- Met with the external auditors, and discussed their report to the audit committee.
- Approved the publication of annual and interim financial results.
- Considered and approved the annual review of internal controls.
- Decided that there was no current need for an internal audit function.
- Agreed the independence of the auditors and approved their fees for both audit and non-audit services as set out in note 2 to the financial statements.
- Dealt with the rotation of the audit partner of Baker Tilly which will occur during 2005.

External Auditors

Baker Tilly held office throughout the year. In the United Kingdom the company provides extensive administration and accounting services to Bisichi Mining PLC which has its own audit committee and employs PKF, a separate and independent firm of external auditors.

L C J Brown
Chairman - Audit Committee
21 March 2005

Independent auditors' report

to members of London and Associated Properties PLC

We have audited the financial statements on pages 25 to 44. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the remuneration report under the headings directors' 'emoluments', 'directors' pensions' and 'directors'' interests, ("the auditable part").

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 remuneration report and the financial statements inaccordance 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 auditable part of the remuneration report 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 auditable part of the remuneration report 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 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 auditable part of the remuneration report. 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 auditable part of the remuneration report 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 auditable part of the remuneration report.

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 2004 and of the group profit for the year then ended; and
- the financial statements and the auditable part of the remuneration report have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditor
Chartered Accountants
21 March 2005

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 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.**

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2004 by the company as detailed in our Valuation Report dated 16 March 2005.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2004 of these interests was:-

	£000
Freehold	**48,090**
Leasehold	**55,240**
	103,330

London
16 March 2005

Allsop & Co.
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 2004 by the company as detailed in our Valuation Report dated 16 March 2005.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2004 of these interests was:-

	£000
Freehold	**4,369**
Leasehold	**-**
	4,369

Leeds
15 March 2005

Hill Woolhouse
Chartered Surveyors

Consolidated profit and loss account

for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Gross rental income			
Group and share of joint ventures		**12,964**	11,360
Less: joint ventures - share of rental income		**(5,205)**	(3,469)
	1	**7,759**	7,891
Less: property overheads:			
Ground rents		**(1,677)**	(1,252)
Direct property expenses		**(1,135)**	(1,078)
Attributable overheads		**(2,162)**	(1,787)
		(4,974)	(4,117)
Less: joint ventures - share of overheads		**1,930**	1,169
		(3,044)	(2,948)
Net rental income	1	**4,715**	4,943
Listed investments - net income	3	**345**	62
Operating profit		**5,060**	5,005
Share of operating profit of joint ventures		**3,279**	2,218
Share of operating profit of associate		**820**	813
	1	**9,159**	8,036
Exceptional items			
Company			
Profit on sale of investment properties	5	**142**	157
Associate and joint venture		**-**	(67)
		142	90
Interest receivable		**780**	333
Interest payable	6	**(7,061)**	(5,651)
Profit on ordinary activities before taxation		**3,020**	2,808
Taxation on profit on ordinary activities	7	**719**	404
Profit on ordinary activities after taxation		**2,301**	2,404
Dividend	8	**1,346**	1,241
Retained profit for the year	9 & 21	**955**	1,163
Earnings per share - basic	10	**2.82p**	2.98p
- fully diluted	10	**2.80p**	2.97p
Dividend per share	8	**1.65p**	1.525p

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

Balance sheets

at 31 December 2004

	Notes	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Fixed assets					
Tangible assets	11	108,851	94,601	108,851	94,601
Investments in joint ventures					3,943
Share of gross assets		67,254	59,129		
Share of gross liabilities		(49,803)	(49,427)		
Share of net assets	12	17,451	9,702		
Other investments					
Associated company	13	6,036	4,636	358	358
Other	13	3,784	3,784	7,736	3,793
		9,820	8,420	8,094	4,151
	13	27,271	18,122	8,094	8,094
		136,122	112,723	116,945	102,695
Current assets					
Debtors	14	1,923	2,362	1,923	2,362
Investments at cost	15	2,681	2,135	2,681	2,135
(Market value £3,724,000 (2003: £3,011,000))					
Bank balances		12,253	11,451	12,253	11,451
		16,857	15,948	16,857	15,948
Creditors					
Amounts falling due within one year	16	(11,613)	(14,450)	(11,627)	(14,465)
Net current assets (liabilities)		5,244	1,498	5,230	1,483
Total assets less current liabilities		141,366	114,221	122,175	104,178
Creditors					
Amounts falling due after more than one year	17	(49,830)	(40,988)	(49,830)	(40,988)
Provisions for liabilities and charges	19	(1,365)	(1,346)	(1,365)	(1,346)
Net assets		90,171	71,887	70,980	61,844
Capital and reserves					
Share capital	20	8,232	8,140	8,232	8,140
Share premium account	21	5,226	4,837	5,226	4,837
Capital redemption reserve	21	47	47	47	47
Revaluation reserve	21	55,404	39,820	38,900	31,766
Other reserves	21	429	429	-	-
Treasury shares	20	(581)	-	(581)	-
Retained earnings	21	21,414	18,614	19,156	17,054
Shareholders' funds		90,171	71,887	70,980	61,844
Net assets per share*					
Basic	10	111.83p	89.39p		
Diluted	10	111.02p	88.58p		

*Including current asset investments at market value.

These financial statements were approved by the board of directors on 21 March 2005 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 2004

	2004 £000	2003 £000
Profit for the financial year	**2,301**	2,404
Currency translation difference on foreign currency net investments of associate	**116**	87
Increase on revaluation of investment properties		
Company	**9,088**	10,127
Associate and joint venture	**8,629**	5,660
Taxation on realised revaluations of previous years	**(404)**	(130)
Total gains and losses recognised in the year	**19,730**	18,148

Note of historical cost profits and losses

for the year ended 31 December 2004

	2004 £000	2003 £000
Reported profit on ordinary activities before taxation	**3,020**	2,808
Share of realisation of property revaluation gains of previous years		
Company	**1,954**	2,012
Associate and joint venture	**179**	308
Historical cost profit on ordinary activities before tax	**5,153**	5,128
Retained historical cost profit for the year	**3,088**	3,483

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2004

	2004 £000	2003 £000
Profit for the financial year	**2,301**	2,404
Dividend	**(1,346)**	(1,241)
Retained profit for the year	**955**	1,163
Associate's currency translation difference on foreign currency net investments	**116**	87
Unrealised changes on revaluation of investment properties	**17,717**	15,787
Gain on realisation of revaluation of property in previous years	**-**	572
Taxation on gains on disposals of property	**(404)**	(130)
Shares issued	**92**	163
Shares purchased	**(581)**	(108)
Share premium account movements	**389**	328
	18,284	17,862
Shareholders' funds at 1 January 2004	**71,887**	54,025
Shareholders' funds at 31 December 2004	**90,171**	71,887

Consolidated cash flow statement

for the year ended 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Net cash inflow from operating activities	22a		2,360		9,642
Returns on investments and servicing of finance					
Interest received		868		318	
Interest paid		(3,810)		(3,322)	
Net cash outflow from returns on investments and servicing of finance			(2,942)		(3,004)
Taxation					
Corporation tax			(1,011)		(400)
Capital expenditure and financial investment					
Purchase of fixed asset investments		-		(3,900)	
Sale of properties		4,360		15,763	
Sale of office equipment and motor cars		46		43	
Property acquisitions and improvements		(9,555)		(3,191)	
Purchase of office equipment and motor cars		(206)		(200)	
Net cash (outflow) inflow for capital expenditure and financial investment			(5,355)		8,515
Equity dividends paid			(867)		(783)
Net cash (outflow) inflow before use of liquid resources and financing			(7,815)		13,970
Net cash inflow from management of liquid resources					
Drawdown of short term loan from joint venture		643		307	
			643		307
Financing					
Shares issued for cash		115		141	
Issue expenses		(8)		(8)	
Purchase of Treasury shares		(581)		-	
Cost of shares redeemed		-		(108)	
Drawdown (Repayment) of medium term bank loan		8,525		(5,300)	
Net cash inflow (outflow) from financing			8,051		(5,275)
Increase in cash in the period			879		9,002

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2004

	Note	2004 £000	2003 £000
Increase in cash in the period		879	9,002
Net cash (outflow) inflow from movement in debt		(8,525)	5,300
		(7,646)	14,302
Other movements on current asset investments		546	(58)
Movement in net debt in the period		(7,100)	14,244
Net debt at 1 January 2004		(28,998)	(43,242)
Net debt at 31 December 2004	22b	(36,098)	(28,998)

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.

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 1985 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 6 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 - 25 percent 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 Holdings 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 the 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.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

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 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 contribution payable for 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.

Cash flow

The group defines liquid resources as current asset investments held as readily disposable stores of value.

Notes to the financial statements

for the year ended 31 December 2004

1. Segmental analysis

	Revenue		Operating profit		Net operating assets	
	2004	2003	**2004**	2003	**2004**	2003
	£000	£000	**£000**	£000	**£000**	£000
Property	**7,759**	7,891	**4,715**	4,943	**62,061**	53,455
Listed investments	**1,190**	582	**345**	62	**2,681**	2,135
Fixed asset investments	**-**	-	**-**	-	**3,784**	3,784
Net non-operating liabilities	**-**	-	**-**	-	**(1,842)**	(1,825)
Group total	**8,949**	8,473	**5,060**	5,005	**66,684**	57,549
Share of joint ventures	**5,228**	3,469	**3,279**	2,218	**17,451**	9,702
Share of associate	**4,813**	3,660	**820**	813	**6,036**	4,636
Group, joint ventures and associate	**18,990**	15,602	**9,159**	8,036	**90,171**	71,887

Rental income	Company	Analytical Properties	Dragon Retail Properties Limited	Total	Group Share 2004	Group Share 2003
	£000	**£000**	**£000**	**£000**	**£000**	£000
Rental income	**7,759**	**10,212**	**196**	**18,167**	**12,963**	11,360
Ground rents	**(414)**	**(2,526)**	**-**	**(2,940)**	**(1,677)**	(1,252)
Direct property expenses	**(793)**	**(567)**	**(4)**	**(1,364)**	**(1,079)**	(1,078)
Net rental income	**6,552**	**7,119**	**192**	**13,863**	**10,207**	9,030
Attributable overheads	**(1,837)**	**(629)**	**(21)**	**(2,487)**	**(2,162)**	(1,787)
	4,715	**6,490**	**171**	**11,376**	**8,045**	7,243
Less: attributable to joint ventures					**(3,330)**	(2,300)
Net rental income					**4,715**	4,943

2. Attributable overheads

	2004	2003
	£000	£000
Attributable overheads have been allocated to the appropriate operating activity, and include:		
Depreciation on tangible fixed assets	**108**	90
Operating lease rentals - land and buildings	**197**	197
(Profit) loss on disposal of motor vehicles and office equipment	**(10)**	(7)
Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services:		
Audit services		
Statutory audit	**41**	31
Further assurance services	**3**	2
Tax services	**-**	2
Advisory services	**7**	-
Other services	**2**	3
	53	38

3. Listed investments

	2004 £000	2003 £000
Investment sales	**1,092**	475
Dividends receivable	**98**	107
	1,190	582
Cost of sales	**(822)**	(500)
	368	82
Less - attributable overheads	**(23)**	(20)
Net income from listed investments	**345**	62

4. Directors' Emoluments

	2004 £000	2003 £000
Emoluments	**808**	727
Defined contribution pension contributions	**106**	61
	914	788

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

5. Exceptional items

	2004 £000	2003 £000
Profit on sale of:		
Freehold property	**98**	157
Leasehold property	**44**	-
Joint venture - (loss) profit on sale of freehold property	**-**	(47)
Associate-fixed asset investment - (loss) profit on disposal	**-**	(20)
	142	90

6. Interest payable

	2004 £000	2003 £000
Interest on bank loans and overdrafts	**1,557**	329
Other loans	**2,107**	3,095
Share of associate's interest payable	**191**	203
Share of joint ventures' interest payable	**3,206**	2,052
Interest capitalised	**-**	(28)
	7,061	5,651

No interest payable (2003: £28,000) 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.

Notes to the financial statements continued

7. Taxation

	2004 £000	2003 £000
Current tax:		
Corporation tax on profits of the period	**544**	494
Adjustments in respect of previous periods	**5**	10
Total current tax - company	**549**	504
Joint ventures	**23**	30
Associate	**128**	181
Total current tax	**700**	715
Deferred tax:		
Origination and reversal of timing differences	**(16)**	(88)
Accelerated capital allowances	**35**	(223)
Total deferred tax (Note 19)	**19**	(311)
Tax on profit on ordinary activities	**719**	404

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 (2003: 30 per cent).
The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before taxation	**3,020**	2,808
Taxation on ordinary activities at 30 per cent	**906**	842
Effects of:		
Expenses not deductible for tax purposes	**12**	19
Capital allowances for the year in excess of depreciation	**(52)**	(69)
Capital gains lower than profit on disposal	**(45)**	(15)
Other differences	**7**	(47)
Loss relief	**(131)**	(6)
Adjustment to smaller companies rate	**(14)**	(19)
Adjustment in respect of prior years	**17**	10
Current charge for the period	**700**	715
Adjustments in respect to prior years:		
2002	**-**	(10)
2003	**17**	-
	17	(10)

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 £7,284,000 (2003: £6,253,000).
At present it is not envisaged that any tax will become payable in the foreseeable future.

8. Dividend

	Per share	2004 £000	Per share	2003 £000
Proposed final dividend	**1.65p**	**1,346**	1.525p	1,241

The proposed final dividend will be payable on 8 July 2005 to shareholders registered at the close of business on 17 June 2005.

9. Profit attributable to London & Associated Properties PLC

	2004 £000	2003 £000
Dealt with in the financial statements of:		
London & Associated Properties PLC	**523**	795
Joint ventures	**(2)**	16
Associate	**434**	352
	955	1,163

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 and Net Assets per share

Earnings per share have been calculated as follows:

	Earnings		Shares in issue		Earnings per share	
	2004 £000	2003 £000	2004 000	2003 000	2004 Pence	2003 Pence
Group profit on ordinary activities after tax	**2,301**	2,404				
Weighted average share capital for the year			**81,705**	80,772		
Basic earnings	**2,301**	2,404	**81,705**	80,772	**2.82p**	2.98p
Adjustments:						
Issue of outstanding share options			**491**	156		
Fully diluted earnings	**2,301**	2,404	**82,196**	80,928	**2.80p**	2.97p

Net assets per share have been calculated as follows:

	Net assets		Shares in issue		Net assets per share	
	2004 £000	2003 £000	2004 000	2003 000	2004 Pence	2003 Pence
At 31 December	**90,171**	71,887	**81,567**	81,397		
Surplus on current asset investments	**1,043**	876				
Basic	**91,214**	72,763	**81,567**	81,397	**111.83p**	89.39p
Issue of outstanding share options	**223**	312	**791**	1,101		
Diluted	**91,437**	73,075	**82,358**	82,498	**111.02p**	88.58p

The net assets per share have not been adjusted for tax on the uplift of properties or investments to market value.

Notes to the financial statements continued

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 2004	95,142	40,772	53,360	1,010
Additions	9,567	8,223	1,138	206
Disposals	(4,415)	-	(4,250)	(165)
Increase on revaluation	9,088	3,496	5,592	-
Cost or valuation at 31 December 2004	**109,382**	**52,491**	**55,840**	**1,051**
Representing assets stated at:				
Valuation	108,331	52,491	55,840	-
Cost	1,051	-	-	1,051
	109,382	**52,491**	**55,840**	**1,051**
Depreciation at 1 January 2004	541	-	-	541
Charge for the year	108	-	-	108
Disposals	(118)	-	-	(118)
Depreciation at 31 December 2004	**531**	**-**	**-**	**531**
Net book value at 1 January 2004	94,601	40,772	53,360	469
Net book value at 31 December 2004	**108,851**	**52,491**	**55,840**	**520**

Ninety nine per cent of freehold and long leasehold properties were valued as at 31 December 2004 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	**103,330**
Hill Woolhouse, Chartered Surveyors	**4,369**
Directors' valuations	**632**
	108,331

The historical cost of investment properties, including total capitalised interest of £61,000 (2003: £61,000) was as follows:

	Freehold £000	Long leasehold £000
Cost at 1 January 2004	26,308	36,019
Additions	8,223	1,138
Disposals	-	(2,296)
Cost at 31 December 2004	**34,531**	**34,861**

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

12. Investment in joint ventures

	Analytical Properties Holdings Limited £000	Dragon Retail Properties Limited £000	Total 2004 £000	**Group share 2004 £000**	Group share 2003 £000
Joint venture balance sheets					
Fixed assets	124,000	3,240	127,240	**63,620**	55,724
Current assets					
Debtors	1,039	2,119	3,158	**1,579**	774
Cash	4,078	31	4,109	**2,055**	2,631
	5,117	2,150	7,267	**3,634**	3,405
Creditors due within one year					
Other Liabilities	(5,234)	(211)	(5,445)	**(2,723)**	(2,376)
Net current assets	(117)	1,939	1,822	**911**	1,029
Total assets less current liabilities	123,883	5,179	129,062	**64,531**	56,753
Creditors due in more than one year					
Bank loans	(84,628)	(1,975)	(86,603)	**(43,301)**	(43,298)
Loan stock	(7,558)	-	(7,558)	**(3,779)**	(3,753)
Net assets	31,697	3,204	34,901	**17,451**	9,702
Being					
Property assets	124,000	3,200	127,200	**63,600**	55,723
Other assets (liabilities)	(92,303)	4	(92,299)	**(46,149)**	(46,021)
	31,697	3,204	34,901	**17,451**	9,702
Consolidated balance sheet analysis					
Share of gross assets	129,117	5,390	134,507	**67,254**	59,129
Share of gross liabilities	(97,420)	(2,186)	(99,606)	**(49,803)**	(49,427)
Share of net assets	31,697	3,204	34,901	**17,451**	9,702
Group share of joint venture profit and loss account					
Gross rental income	10,212	196	10,408	**5,204**	3,469
Ground rents	(2,526)	-	(2,526)	**(1,263)**	(785)
Direct property expenses	(681)	(4)	(685)	**(343)**	(235)
Net rental income	7,005	192	7,197	**3,598**	2,449
Overheads	(629)	(11)	(640)	**(320)**	(231)
Operating profit	6,376	181	6,557	**3,278**	2,218
Interest receivable	91	5	96	**48**	19
Interest payable	(6,296)	(117)	(6,413)	**(3,206)**	(2,052)
Exceptional items	-	-	-	**-**	(47)
Profit before taxation	171	69	240	**120**	138
Taxation	(32)	(17)	(49)	**(25)**	(29)
Profit for the year	139	52	191	**95**	109

Notes to the financial statements continued

12. Investment in joint ventures *continued*

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 7,558,000 ordinary shares of £1 each (2003: 7,558,000 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 (2003: 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 £000	Shares in joint ventures £000	Loan Stock in joint ventures £000	Shares in associate £000	Unlisted shares £000
Cost or valuation					
At 1 January 2004	18,122	9,702	3,779	4,636	5
Additions	-	-	-	-	-
Share of profit after tax	610	98	-	512	-
Other recognised gains and losses	8,717	7,751	-	966	-
Distributions	(178)	(100)	-	(78)	-
	9,149	7,749	-	1,400	-
At 31 December 2004	**27,271**	**17,451**	**3,779**	**6,036**	**5**
Share of net assets other than goodwill as at 31 December 2004	-	17,451	-	6,036	-

Company

	Total £000	Shares in subsidiary companies £000	Shares in joint ventures £000	Loan Stock in joint ventures £000	Shares in associate £000	Unlisted Shares £000
Cost						
At 1 January 2004	8,094	9	3,943	3,779	358	5
Additions	-	-	-	-	-	-
At 31 December 2004	**8,094**	**9**	**3,943**	**3,779**	**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.

13. Investments *continued*

Associate

	2004 £000	2003 £000
Bisichi Mining PLC - listed mining and property investment company		
Group share of :		
Turnover	**4,813**	3,660
Profit before tax	**640**	598
Taxation	**(128)**	(181)
Profit after tax	**512**	417
Fixed assets	**9,151**	7,520
Current assets	**1,736**	1,072
Liabilities due within one year	**(2,362)**	(2,108)
Liabilities due in over one year	**(2,489)**	(1,831)
Net assets	**6,036**	4,653

The company owns 42 per cent (2003: 42 per cent) of the issued share capital of Bisichi Mining PLC, a company registered in England and Wales. Bisichi Mining plc has an 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. The company has an independent board of directors which controls its operating and financial policies.

The market value of this investment at 31 December 2004 was £9,081,743 (2003: £3,266,359).

14. Debtors

Group and company	2004 £000	2003 £000
Trade debtors	**514**	638
Amounts due from associate and joint ventures	**618**	742
Other debtors	**475**	698
Prepayments and accrued income	**316**	284
	1,923	2,362

15. Investments held as current assets

Group and company	2004 £000	2003 £000
Market value of the listed investment portfolio	**3,724**	3,011
Unrealised excess of market value over cost	**1,043**	876
Listed investment portfolio at cost	**2,681**	2,135

All investments are listed on the London Stock Exchange.

Notes to the financial statements continued

16. Creditors: Amounts falling due within one year

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Bank overdrafts (unsecured)	**907**	984	**907**	984
Bank loan (secured)	**-**	300	**-**	300
Amounts owed to subsidiary companies	**-**	-	**14**	15
Amounts owed to joint ventures	**3,762**	3,007	**3,762**	3,007
Corporation tax	**496**	584	**496**	584
Other taxation and social security costs	**384**	3,007	**384**	3,007
Proposed dividend	**1,346**	1,241	**1,346**	1,241
Other creditors	**719**	871	**719**	871
Accruals and deferred income	**3,999**	4,456	**3,999**	4,456
	11,613	14,450	**11,627**	14,465

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

Group and company	2004	2003
	£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*	**9,705**	9,688
	21,405	21,388
Term bank loans:		
Repayable between one and two years	**-**	300
Repayable between three and five years	**20,000**	1,300
Repayable after more than five years	**8,425**	18,000
	28,425	19,600
	49,830	40,988

*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 installments with the balance of £17.75 million repayable in 2009.
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	Group and company	
	2004	2003
	£000	£000
Cash at bank and in hand	**12,253**	11,451

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

Financial liabilities maturity

Repayment of borrowings		
Bank loans and overdrafts:		
Repayable within one year	**907**	1,284
Repayable between one and two years	**-**	300
Repayable between three and five years	**20,000**	1,300
Repayable after more than five years	**8,425**	18,000
	29,332	20,884
Debentures:		
Repayable in more than five years	**21,405**	21,388
	50,737	42,272
Group undrawn banking facilities, which expire within one year.	**17,920**	11,516

Interest rate risk and hedge profile

Fixed rate borrowings	**21,700**	21,700
Floating rate borrowings - subject to interest rate collar	**4,000**	-
- not hedged	**25,332**	20,884
	51,032	42,584
Average fixed rate	**9.69%**	9.69%
Average period for which borrowing is fixed	**14.5 years**	15.5 years

The group's floating rate debt bears interest based on LIBOR. There is a loan from a joint venture company of £950,000 which is interest free.

Fair values

Fair value of the group's debenture liabilities:

	Book value £000	Market value £000	**2004 Fair value adjustment £000**	2003 Fair value adjustment £000
Debenture stock	21,700	26,805	**(5,105)**	(5,533)
Tax at 30 per cent (2003: 30 per cent)			**1,532**	1,660
Post tax fair value adjustment			**(3,573)**	(3,873)
Post tax fair value adjustment - basic pence per share			**(4.46p)**	(4.83p)

There is no material difference in respect of other financial liabilities or any financial assets.
The fair values were calculated by the directors as at 31 December 2004 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 no material difference between book values and market values.

Notes to the financial statements continued

19. Provisions for liabilities and charges

Group and company	2004 £000	2003 £000
Deferred Taxation		
Balance at 1 January 2004	**1,346**	1,657
Transfer to profit and loss account	**19**	(311)
Balance at 31 December 2004	**1,365**	1,346

No provision has been made for the approximate taxation liability at 30 per cent (2003: 30 per cent) of £7,284,000 (2003: £6,253,000) which would arise if the investment properties were sold at the stated valuation.

	2004 £000	2003 £000
The deferred tax balance comprises the following:		
Accelerated capital allowances	**1,331**	1,303
Short-term timing differences	**34**	43
Provision at end of period	**1,365**	1,346

20. Share capital

	2004 £000	2003 £000
Authorised: 110,000,000 (2003:110,000,000) ordinary shares of 10p each	**11,000**	11,000
Allotted, issued and fully paid: 82,316,972 (2003:81,396,736) shares of 10p each	**8,232**	8,140

In April 2004 310,000 new shares were issued when directors and employees share options were exercised. See "Share option schemes" below. In July 2004 610,236 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 £373,770 of which £312,746 was credited to the share premium account.

Treasury shares

During the year, the company acquired 750,000 of its own shares at a cost of £580,502, being an average price of 78.0p, which have been retained as Treasury shares.

The market value of these shares at 31 December 2004 was £611,250 (2003: Nil)

Share Option Schemes

Employees' share option scheme (Approved scheme)

At 31 December 2004 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
65,800	38.5p	14 May 2000 to 13 May 2007
225,000	21.75p	6 November 2001 to 5 November 2008
150,000	39.5p	14 October 2006 to 13 October 2013
440,800		

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 2004 is as follows:

	At 1 January 2004	Changes during year: Options exercised	Options granted	Options lapsed	At 31 December 2004
Shares issued to date	1,836,804	210,000	-	-	2,046,804
Options granted which have not been exercised	650,800	(210,000)	-	-	440,800
Shares allocated over which options have not yet been granted	1,549,955	-	-	-	1,549,955
Total shares allocated for issue to employees under the scheme	4,037,559	-	-	-	4,037,559

The consideration for the 210,000 options exercised with a nominal value of 10 pence each was £89,250.

20. Share capital *continued*

Non-approved Executive Share Option Scheme (Unapproved scheme)

A share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have Inland Revenue approval was set up during 2000. At 31 December 2004 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
350,000	25.66p	8 March 2002-7 March 2009

A summary of the shares allocated and options issued under the scheme up to 31 December 2004 is as follows:

		Changes during year			
	At 1 January 2004	Options exercised	Options granted	Options lapsed	At 31 December 2004
Shares issued to date	-	100,000	-	-	100,000
Options granted which have not been exercised	450,000	(100,000)	-	-	350,000
Shares allocated over which options have not yet been granted	550,000	-	-	-	550,000
Total shares allocated for issue to employees under the scheme	**1,000,000**	**-**	**-**	**-**	**1,000,000**

The consideration for the 100,000 options exercised with a nominal value of 10 pence each was £25,660.

21. Reserves

Group	Share premium account £000	Capital redemption reserve £000	Re-valuation reserve £000	Other reserves £000	Retained earnings £000
Balance at 1 January 2004	4,837	47	39,820	429	18,614
Surplus on valuation of investment properties	-	-	17,717	-	-
Premium on shares issued	397	-	-	-	-
Issue expenses	(8)	-	-	-	-
Retained profit for year	-	-	-	-	955
Currency translation difference on foreign currency net investments	-	-	-	-	116
Transfer of realised revaluation profit	-	-	(2,133)	-	2,133
Taxation on realised revaluation profit	-	-	-	-	(404)
Balance at 31 December 2004	**5,226**	**47**	**55,404**	**429**	**21,414**

Company	Share premium account £000	Capital redemption reserve £000	Re-valuation reserve £000	Other reserves £000	Retained earnings £000
Balance at 1 January 2004	4,837	47	31,766	-	17,054
Surplus on valuation of investment properties	-	-	9,088	-	-
Premium on shares issued	397	-	-	-	-
Issue expenses	(8)	-	-	-	-
Retained profit for year	-	-	-	-	523
Transfer of realised revaluation profit	-	-	(1,954)	-	1,954
Taxation on realised revaluation profit	-	-	-	-	(375)
Balance at 31 December 2004	**5,226**	**47**	**38,900**	**-**	**19,156**

Notes to the financial statements continued

22. Cash flow statement notes

a) Reconciliation of operating profit to net cash inflow from operating activities:	**2004 £000**	2003 £000
Operating profit	**5,060**	5,005
Depreciation charges	**108**	90
Profit on disposal of fixed assets	**(10)**	(7)
Dividend from associated company	**78**	65
Dividend from joint ventures	**100**	93
Decrease (increase) in debtors	**208**	(641)
(Decrease) increase in creditors	**(2,638)**	4,979
(Increase) decrease in current asset investments	**(546)**	58
Net cash inflow from operating activities	**2,360**	9,642

b) Analysis of net debt	At 1 January 2004 £000	Cash flow £000	Other movements £000	**At 31 December 2004 £000**
Bank balances in hand	11,451	802	-	**12,253**
Bank overdrafts	(984)	77	-	**(907)**
Debt due within one year	(300)	-	300	**-**
Debt due after one year	(41,300)	(8,525)	(300)	**(50,125)**
Current asset investments	2,135	-	546	**2,681**
	(28,998)	(7,646)	546	**(36,098)**

23. Related party transactions

Related party:	Costs recharged to (by) related party £000		Amounts owed by (to) related party £000	Cash advanced to (by) related party £000
Analytical Property Holdings Limited				
Loan stock interest	284	i)	-	-
Current account	455	ii)	(2,445)	-
Dragon Retail Properties Limited				
Current account	-		56	-
Loan account	(4)	i)	(950)	(643)
Bisichi Mining PLC Current account	223	ii)	195	-
Directors				
M A Heller and J A Heller	100	iii)	36	-
H D Goldring (Delmore Investments Limited)	(10)	iv)	(2)	-
Totals at 31 December 2004	**1,048**		**(3,110)**	**(643)**
Totals at 31 December 2003	832		(2,265)	3,593

Nature of costs recharged -
- i) Interest
- ii) Management fees
- iii) Property management fees
- iv) Portfolio management fee

The related party companies above are the associate and joint ventures and are treated as fixed asset investments - details are shown in Note 13.

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.
Dragon had surplus cash which was deposited with London & Associated Properties PLC. The deposit is currently interest free, but in the past bore interest at a variable rate related to bank base rates. Interest earned on the loan for the year amounted to £4,000 (2003: £11,000) none of which was accrued at 31 December 2004 (2003: £nil).

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

Directors
London & Associated Properties PLC provides office premises, property management, general management, accounting and administration services for a number of private property companies in which M A Heller and J A Heller have an interest.
Under an agreement with M A Heller no charge is made for these services on the basis that he reduces by an equivalent amount the charge for his services to London & Associated Properties PLC.

The board estimates that the value of these services, if supplied to a third party, would have been £275,000 for the year (2003: £275,000).
The companies for which services are provided are: Barmik Properties Limited, Cawgate Limited, Clerewell Limited, Cloathgate Limited, Ken-Crav Investments Limited, London & South Yorkshire Securities Limited, Shop.com Limited, South Yorkshire Property Trust Limited and Wasdon Investments Limited.

In addition the company received fees of £100,000 (2003: £77,000) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust, and the above companies.

Delmore Investments Limited (Delmore) is a company in which H D Goldring is a majority shareholder and director. Delmore provides investor relations services to the company on an invoiced fee basis.

24. Employees

The average number of employees, including directors, of the group during the year involved in management and administration was 40 (2003: 38)

	2004 £000	2003 £000
Staff costs during the year were as follows:		
Salaries and other costs	**1,502**	1,249
Social security costs	**181**	129
Pension costs	**195**	112
	1,878	1,490

Notes to the financial statements continued

25. Capital commitments

Group and company	2004 £000	2003 £000
Commitments to capital expenditure contracted for at the year end	**150**	27

26. Commitments under operating leases

At 31 December 2004 the group and the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2004 £000	2003 £000
Expiring in more than one year but less than five years	**197**	-
Expiring in more than five years	-	197

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £441,000 (2003: £449,000), the leases on which expire in more than fifty years.

27. Contingent liabilities

There were no contingent liabilities at 31 December 2004 (2003:£250,000).

28. Post balance sheet event

On 2 March 2005 the company completed the sale of its freehold investment in the Moor Centre, Brierley Hill, West Midlands for £4.85 million. Its valuation in the balance sheet at 31 December 2004 was £3.9 million. The sale will be recognised in the accounts for the year ended 31 December 2005.

Five year financial summary

	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Portfolio size					
Investment properties-group	**108**	94	96	98	100
Investment properties-joint ventures	**127**	111	53	6	5
Investment properties-associate	**15**	13	11	8	8
	250	218	160	112	113
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**8.38**	51.59	50.95	1.36	2.09
Disposals	**(5.05)**	(16.82)	(6.15)	(4.83)	(0.86)
Capital Expenditure	**2.16**	52.14	1.29	1.45	0.87
	5.49	86.91	46.09	(2.02)	2.10
Consolidated profit and loss account	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures	**12.96**	11.36	8.34	8.92	8.98
Less: attributable to joint venture partners	**(5.20)**	(3.47)	(0.32)	(0.23)	(0.17)
Group rental income	**7.76**	7.89	8.02	8.69	8.81
Profit before interest and tax	**9.30**	8.13	6.06	6.55	6.61
Profit before tax	**3.02**	2.80	2.45	2.32	2.17
Taxation	**0.72**	0.40	0.61	0.01	0.52
Profit attributable to shareholders	**2.30**	2.40	1.84	2.31	1.65
Earnings per share - basic	**2.82p**	2.98p	2.32p	2.95p	2.14p
Earnings per share - fully diluted	**2.80p**	2.97p	2.30p	2.91p	2.06p
Dividend per share	**1.65p**	1.525p	1.425p	1.30p	1.20p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders funds	**90.17**	71.89	54.03	49.93	47.54
Adjustment of current asset investments to market value	**1.04**	0.87	0.19	0.46	0.87
Consolidated net assets*	**91.21**	72.76	54.22	50.39	48.41
Net borrowings*	**34.33**	30.82	43.05	43.94	48.86
Net gearing*	**37.64%**	42.36%	79.40%	87.21%	100.95%
Net assets per share* - Basic	**111.83p**	89.39p	67.69p	63.92p	62.37p
- fully diluted +	**111.02p**	88.58p	66.98p	63.15p	58.91p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Net cash inflow from operating activities	**2.36**	9.64	4.26	7.91	6.35
Capital investment and financial investment	**(5.36)**	8.52	1.22	2.78	(1.88)
Increase (decrease) in debt during year	**(7.10)**	(14.24)	(1.16)	(5.33)	1.00

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

Notice of annual general meeting

NOTICE is hereby given that the Sixty Fifth Annual General Meeting of London & Associated Properties PLC will be held at Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH on Wednesday 25 May 2005 at 10.30 a.m. for the transaction of the following business:

Ordinary business

1 To receive and adopt the directors' report, annual accounts and independent auditor's report for the year ended 31 December 2004. **(Resolution 1)**

2 To approve the remuneration report for the year ended 31 December 2004. **(Resolution 2)**

3 To declare and approve a final dividend of 1.65p per share. **(Resolution 3)**

4 To reappoint as a director Mr L C J Brown. **(Resolution 4)**

5 To reappoint as a director Mr H D Goldring. **(Resolution 5)**

6 To reappoint as a director Mr M A Heller. **(Resolution 6)**

7 To reappoint as a director Mr B J O'Connell. **(Resolution 7)**

8 To reappoint Baker Tilly as auditors. **(Resolution 8)**

9 To authorise the directors to determine the remuneration of the auditors. **(Resolution 9)**

Special business

To consider and, if thought fit, pass the following resolutions each of which will be proposed as Special Resolutions:

10 That the directors be (and they are hereby) authorised pursuant to section 95 of the Companies Act 1985 (the Act) to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) for cash pursuant to the authority conferred upon them for the purposes of section 80 of the Actby resolution passed on 29 May 2002 as if section 89(1) of the Act did not apply to any such allotment and provided that this power shall be limited:(a) to allotments of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares of 10p each in the company (Ordinary Shares) 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 £407,835 representing approximately 5 per cent of the issued capital of the company;(c) this power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if the words"pursuant to the authority conferred upon them for the purposes of section 80 of the Act by resolutions passed on 29 May 2002" were omitted,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 inpursuance of such offers or agreements as if the power conferred hereby had not expired. **(Resolution 10)**

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

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 8,156,697 (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 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:

Notice of annual general meeting continued

(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 2006 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 11)**

8-10 New Fetter Lane
London EC4A 1AF
Registered in England & Wales - Number 341829
21 March 2005

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 issigned (or a notarially certified copy of such power or authority) must be deposited at the company's registrars, Capital 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 members 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 10.15am 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; and
   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 InnHall, Holborn, London EC1N 2HH.

The nearest Underground station is Chancery Lane on the Central Line, which is 100 metres to the West of Barnard's InnHall.

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