LAP

Retail Property Investors

London & Associated Properties PLC

Annual Report & Accounts 2005

“Growth was principally driven by the value of our overall property portfolio which, including joint ventures and associated companies, rose to £272.5m, an increase of 9%”

Michael Heller, Chairman

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Annual General Meeting
Wednesday 28 June 2006

Payment of final dividend for 2005
Friday 7 July 2006

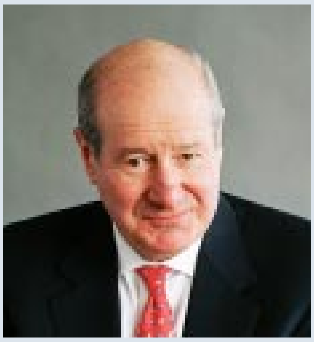
Announcement of interim results to 30 June 2006
Late September 2006

Announcement of results for the year ended 31 December 2006
Late March 2007

Financial highlights

- Diluted net asset value per share (UK GAAP) 135.4p +22%
- Diluted net asset value per share (IFRS) 115.9p +18.1%
- Wholly owned shopping centres valued at £117m +8%
- Value of Joint Venture and associated company properties rose to £155.5m +9.7%
- Pre-tax profits (UK GAAP) £3.4m +13.3%
- Pre-tax profits (IFRS) £17.9m -3.9%
- Final dividend of 1.175p making 1.725p total for the year +5%
- Compound dividend growth over past five years + 7.5%

I am delighted to once again report on a year of considerable progress for London & Associated Properties during which the Group's fully diluted net assets per share have grown by 18.1% to 115.9p



Chairman's statement

I am delighted to once again report on a year of considerable progress for London & Associated Properties during which the Group's fully diluted net assets per share have grown by 18.1% to 115.9p. This growth was principally driven by the value of our overall property portfolio which, including joint ventures and associated companies, rose to £272.5m, an increase of 9%.

The 12 months to 31 December 2005 have been an extremely exciting period for LAP. We have embarked on a major development programme that will substantially enhance the value of properties in both our directly owned portfolio and in our joint venture with the Bank of Scotland. This is the largest development programme undertaken by the Group; however, it is one we believe to be of low risk as we pursue our policy of pre-letting the majority of space in the development before commencing on-site. These developments have a short-term impact on our rental stream, but this will be more than covered by the overall uplift in income and values we expect to achieve over the medium term.

As shareholders are aware, our largest development is at King Edward Court, Windsor, which we own in joint venture with the Bank of Scotland through Analytical Properties. This development will create over 100,000 sq ft of modern retail space, taking the overall total to more than 215,000 sq ft, as well as a 113-bed Travelodge hotel. Once fully let, this new development alone will produce £2.4m of annual rents compared to the £1.1m previously produced from those buildings we are replacing. To-date, 90% by rental value has been pre-let. However, there have been some unavoidable delays in the construction and we now expect the construction to be completed by the middle of 2007. Further details are set out in the chief executive's review.

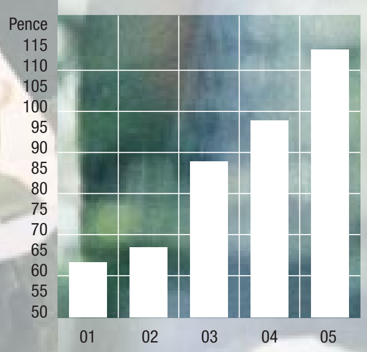
Elsewhere the portfolio has performed well over the year. This is as a result of our continued successful asset management programme that aims to constantly improve the tenant mix and rental values at our centres. This in turn enables us to grow capital values as well as income thus laying the foundations for future profitability and NAV enhancement.

Turning to our results for the year, shareholders will see that we are now reporting under IFRS, which became obligatory after 1 January 2005, rather than UK GAAP, the previous accounting standard for companies with a full listing on the London Stock Exchange. The new standard impacts on our results in two principal areas: our net assets now reflect in the balance sheet any deferred tax which may or may not be crystallised at an unspecified time in the future, as well as our listed investments which are now reported at market value; and our Consolidated income statement (formerly profit & loss statement) now reflects the increase in value of our investment properties, our joint venture properties and those owned through associated companies.

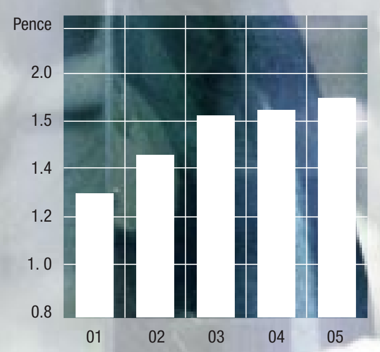
Under IFRS our net assets are now £88.3m, a 9.6% increase over the re-stated figures for the year to 31 December 2004 of £80.6m. Under UK GAAP, our net assets would have shown a near 15% rise from £90.2m to £103.5m, a landmark as they exceeded the £100m mark for the first time.

LAP

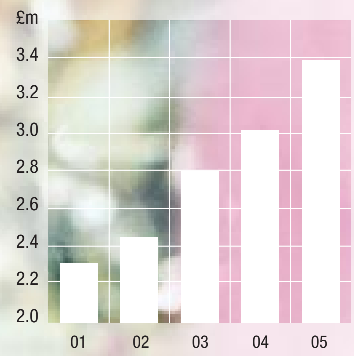
Fully diluted net assets per share



Dividend per share



Profit before tax (UK GAAP)



The impact on LAP's net asset value per share is as follows: under IFRS, diluted net assets per share rose by 18.1% to 115.9p against 98.1p, while under UK GAAP the increase would have been a rise of 22.3% to 135.8p from 111.0p per share.

Our consolidated income statement shows pre-tax profits broadly unchanged at £17.9m against £18.6m while under UK GAAP pre-tax profits would have risen some 13.3% to £3.4m from £3.0m last time. Diluted earnings per share were 18.8p against 20.2p under IFRS, which incorporates the revaluation of our investment portfolio. UK GAAP would have shown a 35% increase to 3.8p per share. Gross rental income of our directly owned portfolio increased by 1.4% to £7.9m.

The Board is recommending a final dividend of 1.175p per share, making a total for the year of 1.725p per share which, if agreed by shareholders, will be paid on 7 July 2006 to those shareholders on the register as at 16 June 2006. This is an increase of some 5% over the previous year.

During the year we completed the sale of Brierley Hill, West Midlands, for £4.85m and our shops in Petergate, Bradford were compulsorily purchased by the local council on an initial valuation of £1.4m.

Over the same period we acquired the Stonehouse pub for £2.5m. This property is strategically located adjacent to our Orchard Square shopping centre in Sheffield and will provide further exciting development opportunities for us there.

In June 2005 we returned £6.2m to shareholders through a tender offer for shares. This increased our fully diluted NAV per share by 0.6p. The 5.9m shares that were acquired are held in Treasury and can be reissued should a suitable opportunity arise.

In January this year Clive Parritt joined the Board as a non-executive director. Clive has extensive business experience as a practicing accountant and holds a number of other directorships. I look forward to working with him and I am confident that LAP will benefit from his wise counsel.

At this year's AGM John Brown will be retiring as a non-executive director after more than 20 years on our Board. John has contributed greatly to our progress and has, for many years, chaired our audit committee. We wish him a long and happy retirement.

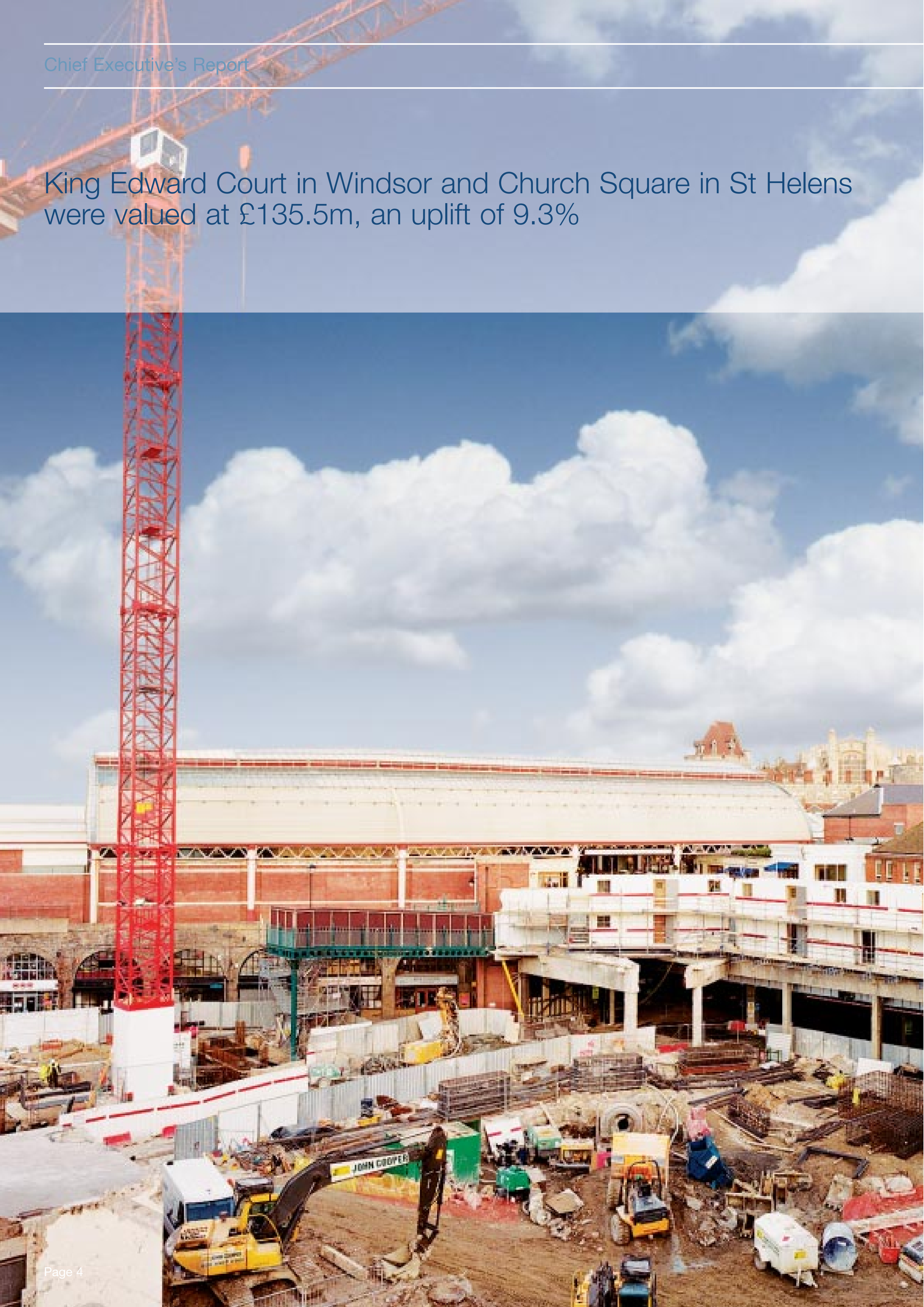
I would like to take this opportunity to thank my Board colleagues, LAP staff and advisers for all their hard work over the period under review. On a personal note I would like to express my personal satisfaction at the way LAP has grown. This year marks my 35th year as a director of the company during which time the Group's gross assets have increased from £400,000 to over £270m.

2005 was another year of considerable progress and I am pleased to report that your company is in a very strong financial position with a number of exciting value enhancing projects underway. As a result, I look forward to the future with great confidence.

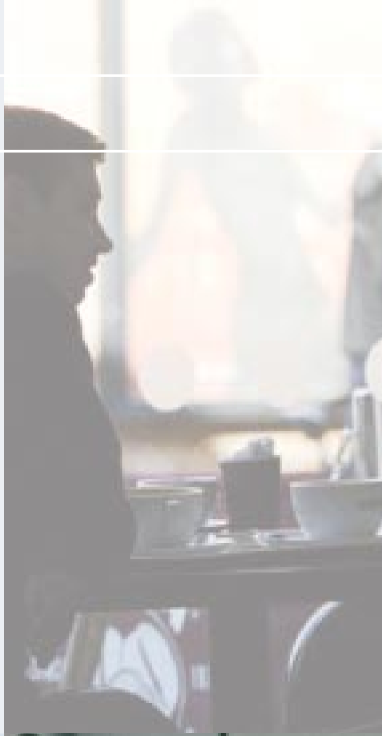
Michael Heller

Michael Heller, Chairman
27 April 2006

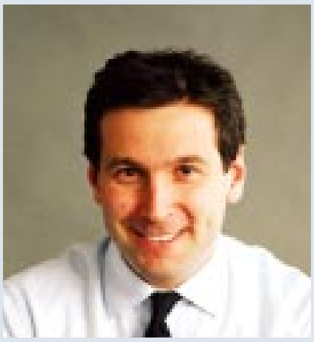
King Edward Court in Windsor and Church Square in St Helens were valued at £135.5m, an uplift of 9.3%



We have started to build the new Waitrose supermarket and Travelodge hotel, as well as shops pre-let to tenants including Zara, Hennes and New Look



We have embarked on a major development programme that will substantially enhance the value of properties in both our directly owned portfolio and in our joint venture



Chief Executive's Report

The year under review was, once again, one of growth for the company. At the end of the period our directly owned portfolio, comprising town centre shopping centres, was externally valued at £117m compared to £108m, a rise of 8%. This increase was achieved after sales of £6.3m. The properties sold had an aggregate book value of £4.9m.

Analytical Properties, our joint venture with Bank of Scotland, also made good progress. Its two properties, King Edward Court in Windsor and Church Square in St Helens were valued at £135.5m, an uplift of 9.3%. LAP manages these properties on behalf of Analytical.

During 2005 we progressed two substantial developments. The largest is at Windsor, and we are also making significant improvements to Orchard Square, our wholly owned shopping centre in Sheffield.

We contracted £369,000 of incremental like-for-like annualised rental income through the portfolio as a whole, and our annualised rent roll now stands at £17.9m despite disposals accounting for £504,000 a year. Once we include units that we vacated for redevelopment, we will have absorbed a temporary loss of rental income of some £1.0m a year.

We have grown rental levels at all of our major centres. This has been achieved through low void levels and continuing our programme of creating improved space for retailers who wish to trade from our centres. We have undertaken a number of amalgamations and extensions to shops within our centres during the year, enabling us to attract top level retailers prepared to pay record rents for each respective centre.

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

We have grown rental levels at all of our major centres

Orchard Square, Sheffield

Following our acquisition of the Dixons unit immediately adjacent to Orchard Square in April 2004, we have now finalised plans to amalgamate this unit with the former Index unit to create a flagship store in one of Sheffield’s most prominent locations. During 2005 we negotiated surrenders with both Dixons and Index, and these units are now vacant.

As expected, there was strong interest in this new unit both from retailers who are not currently represented in Sheffield as well as those looking to relocate from other units on Fargate. We are now entering the final stages of a lengthy negotiation with our preferred tenant, an international fashion retailer, and expect to sign the agreement for lease shortly.

As a result of this development work, we have vacated units with a total rental income of £532,250 per annum. However, the new unit will produce around £800,000 per annum in total including a separate lock-up shop and additional upper parts. Construction costs, including fees, are not expected to exceed £2m.

In August 2005 we acquired the freehold of the Stonehouse pub at the rear of Orchard Square for £2.5m. Although it is a listed building, we believe we will be able to incorporate it within the main shopping centre and create 42,000 sq ft of redeveloped space. We are still at an early stage, but have already received positive interest from a number of retailers for different combinations of space, including the possibility of a single letting to an anchor retailer. I will report further on progress during the course of the year.

Elsewhere Orchard Square remains effectively fully let which bodes well for the next round of major rent reviews later this year and in 2007.

Kings Square, West Bromwich

Kings Square had a good year with gross income increasing to £1.4m compared to £1.2m in 2004. This growth was achieved by successfully reconfiguring units to attract better retailers, and then using the subsequent higher rents paid per square foot as evidence to achieve good rental growth from existing retailers at rent review.

During the course of the year, we let new units to Vodafone, Benjy’s Sandwich Bar and Passion for Perfume at a combined rent of £103,000 per annum reflecting Zone A rents of between £71 and £81 per sq ft, a record for this centre. This was achieved by successfully dividing a poorly configured unit formerly producing £68,000 a year, and the rents have enabled us to achieve significant uplifts at each of the nine units where rent reviews were concluded during the year. Total costs for these works, including fees, were under £100,000.

We have also maximised value from the common areas, and let the central square for use as a café to BB’s Coffee & Muffins Limited at £40,000 per annum.

Finally, we have benefited from the redevelopment of the former cinema to the rear of Kings Square into two large retail units which have been let to Peacocks and 99p Stores. Although we did not carry out the redevelopment, footfall at that part of the centre has increased by 20% over the last 12 months, significantly enhancing future rental values of our adjacent shops.

The Mall, Dagenham

We let a large unit to 99p Stores, the variety retailer, in 2005 and demand at The Mall has remained satisfactory throughout the remainder of the year and into 2006. We have completed a number of lettings and rents have increased at this centre by £45,000 a year. Currently, we are negotiating new leases with a combined annual rental income of over £100,000. These lettings are expected to complete shortly.

We continue to explore with the local authority a number of options for the Post Office adjacent to the Mall which we acquired in 2005. These include incorporating it into a major redevelopment of part of the town’s high street that will substantially benefit our own shopping centre.

Saxon Square, Christchurch

During the year, we increased gross rents at this centre by over £75,000 per annum. We have also, since the year end, let some upper parts for the first time during our ownership of this centre. Demand for shop units in the centre has been consistently high, and we now have a strong offer from a national retailer on the retail element of the space we are hoping to develop to the rear of the centre. This development is still being negotiated with the local authority, although some progress has been made during the year.

We have pursued a policy of diversifying our portfolio of properties by location, with a well-spread and quality tenant profile, and we enjoy a solid income base that does not rely on performance fees.

The new year to date has started well. I remain confident that we are in an excellent position to grow our properties by both income and value in the coming year.

King Edward Court, Windsor

Construction work is now underway for our partial redevelopment of King Edward Court and the demolition work has been completed. We have started to build the new Waitrose supermarket and Travelodge hotel, as well as shops pre-let to tenants including Zara, Hennes and New Look.

There have been some complications in the piling and foundation work, caused principally by unforeseeable difficulties in re-routing electricity and telephone infrastructure. This has led to additional costs which have been quantified and agreed with the contractor. The total contract has increased to £18.2m compared to the £16.5m originally envisaged. It is not unusual to experience such difficulties during underground works. However, these works are now completed and we are building the more straightforward above-ground element of the project. Approximately 90% of the work involved in this contract has been placed or agreed, and we are confident that we will not encounter such complications during the remainder of the contract.

The project remains profitable in its own right and the new units, which are let at Zone A rates of £125 per sq ft, will also have a positive impact on rental and capital values in the rest of the centre.

Elsewhere in King Edward Court, we have completed a number of excellent lettings. Johnsons Shoes, a multiple retailer already trading from the centre, has signed a new 15 year lease on both its existing unit and an adjacent unit at £157,500 per annum. This compares to the previous rent on both these units of £135,500 and equates to a record £105 Zone A. We have also let a former Dixons unit to Vision Express at £77,500 per annum compared to £70,000 previously, again at a record £105 Zone A, and we have let a unit to Toni and Guy hairdressers at £45,000 per annum. This unit had never previously been let. The letting was achieved by bringing forward the shop front which had been overshadowed by those of the adjacent shops.

Demand for space at King Edward Court remains strong and all tenants with lease expiries during 2005/6 have renewed. In addition, Mothercare was able to assign its lease to Lakeland, the kitchenware company, for a significant premium, further demonstrating the desirability to tenants of King Edward Court.

Church Square, St Helens

Church Square remained effectively fully let during 2005, although we have actively sought to vacate a number of units to meet outstanding retailer demand and thereby grow the rents.

The most significant of these initiatives was to negotiate a surrender with Next enabling us to create a double unit following the collapse of Allsports, which was trading in the adjacent unit. This double shop is now under offer to a major fashion retailer at a rent that will show £103 Zone A compared to £90 previously achieved in that part of the centre.

A further prime unit has become vacant following the relocation of New Look to larger premises within the town. Initial interest is strong and we are confident that we will be able to prove further that the level of rent in St Helens has some way to go.

The local authority is investing heavily in St Helen's town centre with new paving, street furniture and landscaping. This will significantly benefit our shopping centre which is, by some margin, the largest single landholding within central St Helens.

Elsewhere, during 2005 we sold the Moor Centre, Brierley Hill for £4.85m in cash compared to a book value of £4.3m. Bradford Council has also compulsorily purchased from us a small block of property in Bradford city centre. Although the value has not yet been finalised, we have been offered £1.4m by the Council. We do not believe this fully reflects the level that we should achieve. However, the property was held in our balance sheet at £600,000 and the amount so far offered will show a significant surplus.

We did not acquire any significant new properties in the period under review although we did bid unsuccessfully on a number of shopping centres. In the absence of acceptable opportunities to invest in retail property, we have sought other ways to achieve value for shareholders. In July, we returned some £6.2m to shareholders via a tender offer for shares at 104p. The positive effect of this will be more fully described in the Finance Directors' Report.

There can be no doubt that the widely-reported mixed conditions for retailers are having an impact on retail property in general. However, we feel well positioned to meet any downturn. We specialise in towns with Zone A levels typically around £100 per sq ft, and retailers who focus on the value oriented customer. It is a commonly accepted view that this type of centre will be less susceptible to a dramatic swing in value if retail conditions become more adverse. In addition, we have pursued a policy of diversifying our portfolio of properties by location, with a well-spread and quality tenant profile, and we enjoy a solid income base that does not rely on performance fees.

The new year to date has started well. I remain confident that for the reasons outlined in the preceding paragraph, we are in an excellent position to grow our properties by both income and value in the coming year.

John Heller.

John Heller, Chief Executive
27 April 2006

We acquired the Stonehouse pub for £2.5m. This property is strategically located adjacent to our Orchard Square shopping centre in Sheffield and will provide further exciting development opportunities for us there

With potentially available cash and facilities of £27.0m, LAP is in a strong position to take advantage at short notice of any opportunities that arise.

Finance Director's Report

International Financial Reporting Standards (IFRS)

2005 is the first year that LAP has reported under IFRS, the new International Financial Reporting Standards. The group's half year results were published in October 2005 in this format and at the same time a 'Transition Statement' was also published showing the movements between the figures reported under UK GAAP and IFRS. The main effects of the changes are:

Income Statement – (previously the Profit and Loss Account)

The fundamental change in this statement is that certain items that were previously taken direct to reserves now have to be taken through the income statement. The largest item to affect our figures is the revaluation surplus of our investment properties. As I stated last year this will lead to distortions in the profit declared on a year on year basis making it difficult to directly compare the overall trading performance of the Group.

Balance Sheet

The largest change to the balance sheet is the inclusion of a full provision for deferred taxation on all our investment properties whether or not it is intended to sell them in the foreseeable future.

It is only the group figures that are prepared under IFRS. The company figures are still prepared under UK GAAP. The company balance sheet and figures will be therefore shown separately in this year's accounts.

It should be reiterated that the group's overall cash position remains unchanged by the adoption of IFRS.

Treasury Shares

In June we offered by way of tender to acquire up to £10m of our own shares. We received acceptances for 5,928,273 shares at 104p per share (a total of £6.37m) and we now hold 6,188,121 shares in treasury. This tender increased our fully diluted net asset per share by 0.6p as at 31 December 2005. These shares can be reissued in the market without the normal cost of issuing shares at the prevailing share price on the day of reissue.

Cash Flow

We are currently talking to some of our lenders about substantially increasing the size and improving the terms of our revolving credit facilities. I will update shareholders in due course.

During the year cash reduced by £7.6m, mainly as a result of spending £6.7m on the purchase of our shares for treasury.

Income statement

The group generated a profit before tax of £17.9m (2004: £18.6m). However, under UK GAAP the profit before tax was £3.4m (2004: £3.0m), an increase of 13.3%. This maintains our 26 year record of unbroken annual profit growth. This was despite a drop in gross rental income of £0.6m to £12.4m (2004: £13.0m) and the lost interest earned on the £6.4m used in the year for the purchase of our own shares.

The average cost of debt has fallen to 7.25% (2004: 7.5%). Interest payable increased during the year to £4.4m (2004: £4.1m). This figure is net of the ground rents payable on certain properties which, under IFRS, must now be shown as a financing charge. The rise in interest costs is due to the increased borrowings for the purchase of the Stonehouse pub in Sheffield and a higher average overdraft during the year.

In June 2005 we returned £6.2m to shareholders through a tender offer for shares.

Taxation

The effective tax rate for the year is 17.0% (2004: 10.8%). This can be split between the current year's tax charge of £0.5m (2004: £0.5m) and the deferred tax charge of £2.5m (2004: £1.5m). The rate of tax payable has remained low due largely to capital allowances that have been successfully claimed.

Balance Sheet

The property portfolio, which includes those properties owned by Analytical, Bisichi and Dragon Retail, grew by 9.0%. Under UK GAAP, the net assets of the group grew by 15% to £103.5m. Had we not purchased our own shares in June the net assets would have been £110m, an increase of 22% under UK GAAP.

Fully diluted net assets per share rose 18.1% to 115.9p per share (2004: 98.1p). Under UK GAAP this increase would have been 22.2%.

Gearing as at 31 December 2005 was slightly higher at 50.1% (2004: 45.7%) due mainly to using cash to purchase our own shares.

Under IFRS our long term debenture debt is not shown at fair value. An adjustment to fair value of the debenture debt would be 5.6p per share (2004: 4.4p). It remains our policy not to repay this long term debt early. Banking debt and derivatives associated with it are shown at fair value in the balance sheet.

Dividends

As stated last year we are no longer paying a scrip dividend. This year, however, we introduced an interim dividend, which was 0.55p per share, paid to shareholders on 25 January 2006. We are proposing a final dividend of 1.175p per share which will be paid to shareholders on 7 July 2006. The dividend is covered 2.3 times, if the revaluation surpluses shown in the income statement are excluded.

Analytical Properties, our joint venture with the Bank of Scotland had another strong year with net assets rising 28.2% to £40.6m (as reported under UK GAAP). The redevelopment of King Edward Court in Windsor is progressing and is being entirely financed by a development facility from the Bank of Scotland. This facility is for £19.0m and was signed in 2005. As at 31 December 2005 £1.7m was drawn.

Our associated company, Bisichi Mining, in which we hold a 42% stake, produced profits before tax under IFRS of £4.2m (2004: £4.1m), an increase of 2.4%, while shareholders' funds grew by 26.7%. Dragon Retail Properties, our joint venture with Bisichi, also had a good year with net assets rising by 35.5% to £4.3m (as reported under UK GAAP).

With potentially available cash and facilities of £27.0m, LAP is in a strong position to take advantage at short notice of any opportunities that arise. It is also cushioned against any downturn that may occur in the retail market. It remains our policy to manage the finances of the Group on a prudent basis, and I feel confident as we enter into 2006.

Robert Corry, Finance Director
27 April 2006

Directors and advisers

Directors

Executive Directors

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

John A Heller LLB MBA **(Chief executive)**

Robert J Corry BA FCA **(Finance Director)**

Michael C Stevens FCA

Non-executive Directors

#† **Barry J O'Connell**
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 private clients. From 1997-2003 he was consultant director on global asset allocation to Liverpool Victoria Asset Management Limited.

† **Clive A Parritt FCA**
Clive A Parritt joined the board on 1 January 2006. He is a chartered accountant with over 25 years experience of providing strategic, financial and commercial advice to businesses. Until February 2001 he was chairman of Baker Tilly. He is chairman of the audit committee of the Institute of Chartered Accountants in England and Wales.

Secretary & registered office

Michael C Stevens FCA**,**
Carlton House, St James's Square
London SW1Y 4JH

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
Kuit, Steinart, Levy & Co, Manchester
Pinsent Mason

Stockbrokers

Panmure Gordon

Registrars & transfer office

Capita Registrars, The Registry,
34 Beckenham Road, Beckenham,
Kent BR3 4TU
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Company registration number

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Website

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Directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2005.

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 review of activities during the year is contained in the Chairman's statement, and the results for the year are shown in the consolidated income statement on page 26.

Dividends and shares

An interim dividend for 2005 of 0.55p was paid on 25 January 2006 (2004: Nil). The directors recommend the payment of a final dividend for 2005 of 1.175p per ordinary share (2004: 1.65p) making the total dividend for 2005 1.725p (2004:1.65p). The final dividend will be payable on 7th July 2006 to shareholders registered at the close of business on 16 June 2006.

Dividends are now accounted for only in the financial year in which they are paid, in accordance with revised accounting standards.

Treasury shares were issued during the year as follows: on 13 June 2005 532,900 shares, on 20 June 2005 57,900 shares and on 22 December 2005 199,352 shares. These were all issued under the terms of the share option schemes.

Following a Tender Offer approved at an EGM on 27 June 2005 the company bought 5,928,273 shares at 104p each. On 28 July 2005 the company purchased a further 300,000 shares at 105.5p.These share acquisitions were all placed in treasury (see below).

Purchase of own ordinary shares for Treasury

During the year the company purchased 6,228,273 of its own ordinary shares of 10 pence each (being 7.64 per cent of issued ordinary shares) at a cost of £6,723,000. The company issued during the year 790,152 shares in settlement of share options exercised for £671,000. 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 31 December 2005 6,188,121 (2004: 750,000) shares were held in treasury with a market value of £6,652,000 (2004:£611,000).

At the AGM in June 2005 members renewed the authority for the company to purchase up to 10 per cent of its issued ordinary shares. The company will be asking members to renew this authority at the next AGM in June 2006.

Investment properties

99.9 per cent of the freehold and long leasehold properties were externally revalued as at 31 December 2005 by external professional firms of chartered surveyors - Allsop & Co., London (95.4 per cent of the portfolio), and Hill Woolhouse, Leeds (4.5 per cent) and the remaining properties were valued by the directors. The valuations, which are reflected in the financial statements, amount to £117.0 million (2004: £108.3 million). The company's surplus on revaluation amounted to £10.078 million (2004: £9.088 million) and was credited to the Income Statement.

The properties owned by its joint ventures, Analytical Properties group and Dragon Retail Properties Limited were also revalued together with the properties of the associate, Bisichi Mining PLC. These surpluses on revaluation, which amounted in total to £13.805 million (2004: £17.521 million) were credited to the income statements of these companies and LAPs net share of these revaluations is included in its consolidated income statement and consolidated balance sheet.

During the year the company acquired one additional investment property at a cost of £2.6 million. The company also disposed of an investment property with a book value of £4.3 million.

Financial instruments

Note 17 to the financial statements sets out the risk in respect of financial instruments. The board reviews and agrees overall treasury policies, delegating appropriate authority to the chief executive and finance director. Financial instruments are used to manage the financial risks facing the group - speculative transactions are not permitted. Treasury operations are reported at each board meeting and are subject to weekly internal reporting.

Derivatives have been put in place in the Analytical Group Joint Venture as required by its bankers to reduce interest rate risk. Currency hedging is utilised in the associated company to reduce exchange rate risk on overseas trading.

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 of 2005.

On 1 January 2006 C A Parritt was appointed as an independent non-executive director, and he will offer himself for election at the AGM. L C J Brown has advised the company that he wishes to retire and will not seek re-election at the AGM. H D Goldring, B J O'Connell and M C Stevens are retiring by rotation and offer themselves for re-election. Brief details of the directors offering themselves for election or re-election at the Annual General Meeting are as follows:-

C A Parritt joined the board on 1 January 2006. He is a chartered accountant who has over 25 years experience of providing advice to business. Until February 2001 he was chairman of Baker Tilly, having been its national managing partner for 10 years until June 1996. He is a member of the audit, remuneration and nomination committees. His contract of service is determinable at three months notice. The board recommends his appointment for the wide business knowledge he will contribute to the business.

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 Investments Limited which manages investment portfolios and provides global asset allocation advice to pension funds and private clients. The board recommends his reappointment for the specialised economic knowledge and business experience he can bring to the business.

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. The board recommends his reappointment due to his knowledge and experience both generally and of this business.

M C Stevens has been Company Secretary since 1985 and an executive director since 1986. He is a chartered accountant and is responsible for the group's accounting, administration, systems and technology. His contract of employment is determinable at six months notice.

Directors' report continued

Directors' interests

The interests of the directors in the ordinary shares of the company, including family and trustee holdings, where appropriate, were as follows:

	Beneficial interests		Non-beneficial interests	
	31 Dec 05	1 Jan 05	31 Dec 05	1 Jan 05
M A Heller	4,871,757	4,871,757	18,520,634	20,870,634
L C J Brown	101,378	98,179	-	6,232
R J Corry	218,769	92,477	-	-
H D Goldring	2,080	2,080	-	-
J A Heller	1,126,369	1,010,000	†13,520,634	15,870,634
B J O'Connell	122,960	122,960	-	-
C A Parritt*	24,364	n/a	-	n/a
M C Stevens	419,013	334,744	+337,437	337,447

†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.

*The shareholding for C A Parritt is his holding on being appointed to the board on 1 January 2006.

No director had any material interest in any contract or agreement with the group during the year other than as shown in this annual report. (Please see note 20 and the remuneration report).

No changes in these holdings have taken place since 31 December 2005 and the date of this report.

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 22.

Substantial shareholdings

At 31 December 2005 M A Heller and his family had an interest in 43.1 million shares of the company, representing 56.6 per cent of the issued share capital (2004: 45.3 million shares representing 55.5 per cent). The company was not aware of any other holdings exceeding 3 per cent of the issued share capital. On 13 April 2006 the company was advised by Cavendish Asset Management Limited that their clients and funds had acquired shares giving them an interest in 3.5 per cent of the issued share capital of the company.

Statement as to disclosure of information to auditors

The directors in office on 31 December 2005 have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Corporate governance

The company has adopted the Guidance for Smaller Quoted Companies published by the Quoted Companies Alliance (QCA) during 2005. 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, except in so far that non-executive directors are not appointed for fixed terms.

Principles of corporate governance

The group's board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles 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 four executive directors, being the chairman, chief executive, finance director and company secretary, and three non-executive directors, and with effect from 1 January 2006 a fourth non-executive director. Their details appear on page 16.

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 25. 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 21 and 22.
- 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 23.

Assessment of directors' performance

The performance of the non-executive directors is made 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, and with effect from 1 January 2006 C A Parritt.

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. The board considers that the independence of L C J Brown, B J O'Connell and H D Goldring is not impaired by the failure to meet all the criteria for independence set out in the combined code, and therefore regards them as being independent directors.

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

Board and board committee meetings

The board held eleven regular meetings during the year which were attended by all directors with the exceptions of one meeting each by L C J Brown and H D Goldring. The remuneration committee held two meetings with full attendance. The audit committee held two meetings with full attendance and the nomination committee held one meeting with full attendance.

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 for its 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 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 2005 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.lap.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 37.7 days annual trade purchases (2004: 17.8 days.)

Directors' report continued

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 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 earlier of the conclusion of the company's next annual general meeting and 15 months from the passing of resolution 10.

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 8,231,697 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 share for the five business days preceding the purchase.

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

Donations
No political donations were made during the year (2004: Nil). A donation of £1,500 was made to the Tsunami disaster appeal in January 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*

27 April 2006

Carlton House
St James's Square
London SW1Y 4JH

Remuneration report

The remuneration committee is pleased to present its report for the year ended 31 December 2005.

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, and, with effect from 1 January 2006 C A Parritt. Chairman of the company, M A Heller, normally attends the committee's meetings by invitation.

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 comprise 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 in cash £'000	Bonus in shares £'000	Other benefits £'000	**Total before pension contributions £'000**	Pension Contributions £'000	**Total 2005 £'000**	Total 2004 £'000
Executive directors								
M A Heller*	7	-	-	41	**48**	-	**48**	44
J A Heller	300	62	214	37	**613**	24	**637**	390
R J Corry	157	30	62	24	**273**	31	**304**	235
M C Stevens	100	-	51	15	**166**	63	**229**	187
	564	92	327	117	**1,100**	118	**1,218**	856
Non-executive directors								
L C J Brown	20	-	-	1	**21**	-	**21**	17
H D Goldring	29	-	-	2	**31**	-	**31**	32
B J O'Connell	20	-	-	3	**23**	-	**23**	17
	69	-	-	6	**75**	-	**75**	66
Total remuneration for directors' service during the year							**1,293**	922

* see "Directors" on page 22 and Note 20. Other benefits include the provision of cars, health and other insurance, and subscriptions.

Remuneration report continued

Pension schemes and incentives
Three (2004 - three) directors have benefits under money purchase pension schemes. Contributions in 2005 were £118,000 (2004-£106,000) 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 2005.

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 20 of the financial statements.

H D Goldring's company, Delmore Investments Limited provides financial services to the group. This is dealt with in Note 20 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 2005	Granted in 2005	Exercised in 2005	31 December 2005	Exercisable from	to
Approved Scheme							
MC Stevens	38.5p	27,900	-	27,900	-	14-May-00	13-May-07
MC Stevens	21.75p	50,000	-	50,000	-	6-Nov-01	5-Nov-08
Unapproved Scheme							
R J Corry	25.66p	200,000	-	200,000	-	8-Mar-02	7-Mar-09
J A Heller	25.66p	100,000	-	100,000	-	8-Mar-02	7-Mar-09
M C Stevens	25.66p	50,000	-	-	50,000	8-Mar-02	7-Mar-09

Directors exercised options on a total of 377,900 shares at an average of 26.1p per share during the year at an aggregate value of £291,585 in excess of the option price.

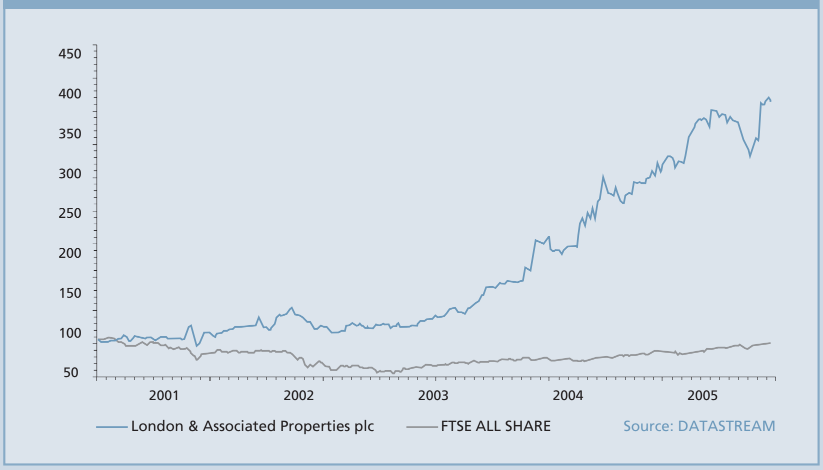
There are no performance criteria for the exercise of options under the Approved Scheme, as this was set up before such requirements were considered to be necessary. The exercise of options under the Unapproved Scheme is subject to the satisfaction of objective performance conditions specified by the 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 2005 was 107.75p (2004:81.5p). During the year the share mid-price ranged between 79.0p and 110.75p.

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.

Total Shareholder Return (2001-2005)



B J O'Connell
Chairman - Remuneration Committee

27 April 2006

Audit committee report

to the members of London & Associated Properties PLC

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

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 and, from 1 January 2006, C A Parritt, a chartered accountant.

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 judgement and estimation;
- monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;
- 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) a review of non-audit services provided to the group and related fees;
  - ii) discussion with the auditors of their written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
  - iii) a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
  - iv) obtain a written confirmation from the auditors that, in their professional judgement, they are independent

Meetings

The committee meets half yearly prior to the publication of the interim and 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 reports 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 occurred 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

27 April 2006

Independent Auditor's report

to the members of London & Associated Properties PLC

We have audited the group and parent company financial statements on pages 26 to 53. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Review, the Financial Directors' 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2005; and
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

11 May 2006

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the EU and have elected to prepare the company financial statements in accordance with UK Accounting Standards.

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the group and company financial statements, the directors are required to:

a select suitable accounting policies and then apply them consistently;
b make judgements and estimates that are reasonable and prudent;
c for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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 London & Associated Properties PLC website www.lap.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 2005 by the company as detailed in our Valuation Report dated 21 March 2006.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2005 of these interests was:-

	£'000
Freehold	**51,180**
Leasehold	**60,400**
	111,580

21 Soho Square, London W1D 3AY
21 March 2006

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 2005 by the company as detailed in our Valuation Report dated 27 February 2006.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2005 of these interests was:-

	£'000
Freehold	**5,359**
Leasehold	**-**
	5,359

67 St Paul's Street Leeds LS1 2TE
27 February 2006

Hill Woodhouse
Chartered Surveyors

Consolidated income statement

for the year ended 31 December 2005

	Notes	2005 £000	Restated* 2004 £000
Gross rental income			
Group and share of joint ventures		**12,392**	12,964
Less: joint ventures - share of rental income		**(4,525)**	(5,205)
	1	**7,867**	7,759
Less: property overheads:			
Direct property expenses		**(1,918)**	(1,924)
Attributable overheads		**(2,829)**	(2,162)
		(4,747)	(4,086)
Less: joint ventures - share of overheads		**1,337**	1,456
Property overheads	1	**(3,410)**	(2,630)
Net rental income	1	**4,457**	5,129
Listed investments held for trading	3	**169**	345
Operating profit before adjustments		**4,626**	5,474
Lease surrender		**(173)**	-
Profit on sale of investment properties		**1,230**	142
Net gain on revaluation of investment properties		**10,078**	9,088
Net increase in value of investments held for trading		**831**	-
Operating profit after adjustments	1	**16,592**	14,704
Share of profit of joint ventures	10	**3,659**	6,067
Share of profit of associate	11	**1,232**	1,205
		21,483	21,976
Interest receivable	5	**820**	721
Interest payable	5	**(4,408)**	(4,078)
Profit before taxation		**17,895**	18,619
Income tax	6	**(3,046)**	(2,003)
Profit for the year		**14,849**	16,616
Basic earnings per share	8	**18.83p**	20.34p
Diluted earnings per share	8	**18.79p**	20.23p

*Restated under IFRS (see note 25)

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

Consolidated balance sheet

at 31 December 2005

	Notes	2005 £000	Restated* 2004 £000
Non-current assets			
Value of properties attributable to group		**116,971**	108,331
Present value of head leases		**8,582**	8,618
Property	9	**125,553**	116,949
Plant and equipment	9	**975**	520
Investments in joint ventures	10	**18,033**	14,560
Investments in associated company	11	**6,495**	5,294
Held to maturity investments	12	**3,784**	3,784
		154,840	141,107
Current assets			
Trade and other receivables	13	**4,608**	1,923
Financial assets-investments held for trading	14	**4,586**	2,681
Cash and cash equivalents		**6,212**	12,253
		15,406	16,857
Total assets		**170,246**	157,964
Current liabilities			
Financial liabilities-borrowings	16	**(2,446)**	(907)
Trade and other payables	15	**(6,724)**	(8,938)
Current tax liabilities		**(177)**	(422)
		(9,347)	(10,267)
Non current liabilities			
Financial liabilities-borrowings	16	**(52,494)**	(49,830)
Present value of head leases on properties	23	**(8,582)**	(8,618)
Deferred tax	18	**(11,482)**	(8,649)
		(72,558)	(67,097)
Total liabilities		**(81,905)**	(77,364)
Net assets		**88,341**	80,600
Equity			
Share capital	19	**8,232**	8,232
Share premium account		**5,228**	5,226
Capital redemption reserve		**47**	47
Other reserves		**429**	429
Retained earnings		**81,037**	67,247
Treasury shares	19	**(6,632)**	(581)
Total shareholders' equity		**88,341**	80,600
Net assets per share	8	**116.04p**	98.82p
Diluted net assets per share	8	**115.88p**	98.14p

*Restated under IFRS (see note 25)

These financial statements were approved by the board of directors and authorised for issue on 27 April 2006 and signed on its behalf by:
M A Heller
M C Stevens
Directors

Consolidated statement of recognised income and expense

for the year ended 31 December 2005

	2005 £000	Restated* 2004 £000
Profit for the year	**14,849**	16,616
Currency translation in associate	**(35)**	116
Transitional adjustment on adoption of IAS 39*	**948**	-
Deferred tax thereon	**(311)**	-
Total recognised income and expense for the year	**15,451**	16,732

*Restated under IFRS (see note 25)

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2005

	Share capital £'000	Share premium £'000	Other reserves £'000	Treasury shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2004	8,140	4,837	476	-	51,756	65,209
Issue of shares	92	389	-	-	-	481
Acquisition of own shares	-	-	-	(581)	-	(581)
Currency translation in associate	-	-	-	-	116	116
Dividend	-	-	-	-	(1,241)	(1,241)
Profit for year	-	-	-	-	16,616	16,616
Balance at 31 December 2004-Restated*	8,232	5,226	476	(581)	67,247	80,600
Adoption of IAS 39						
Value of financial assets less deferred tax	-	-	-	-	732	732
Associate share of financial assets	-	-	-	-	91	91
Joint venture share of financial liabilities	-	-	-	-	(186)	(186)
Balance at 1 January 2005-Restated*	8,232	5,226	476	(581)	67,884	81,237
Issue expenses of own shares	-	(1)	-	-	-	(1)
Acquisition of own shares	-	-	-	(6,721)	-	(6,721)
Disposal of own shares	-	-	-	670	-	670
Gain/(loss) on disposal of own shares	-	3	-	-	(306)	(303)
Currency translation in associate	-	-	-	-	(35)	(35)
Dividend	-	-	-	-	(1,355)	(1,355)
Profit for year	-	-	-	-	14,849	14,849
Balance at 31 December 2005	8,232	5,228	476	(6,632)	81,037	88,341

*Restated under IFRS (see note 25)

At 31 December 2005 £48,990,000 (2004:£39,943,000) of retained earnings represent unrealised revaluation gains and do not constitute distributable reserves.

Consolidated cash flow statement

for the year ended 31 December 2005

	2005		Restated* 2004	
	£'000	£'000	£'000	£'000
Operating activities				
Operating profit after adjustments	**16,592**		14,704	
Depreciation	**125**		108	
Gain on disposal of non-current assets	**(1)**		(10)	
Profit on sale of investment properties	**(1,230)**		(142)	
Net gain on revaluation of investment properties	**(10,078)**		(9,088)	
Net increase in value of investments held for trading	**(831)**		-	
Increase in net current assets	**(695)**		(2,976)	
Cash generated from operations	**3,882**		2,596	
Interest paid	**(4,360)**		(4,224)	
Interest received	**535**		868	
Income tax paid	**(843)**		(1,011)	
Cash flows after interest and tax		**(786)**		(1,771)
Investing activities				
Property acquisitions and improvements	**(3,455)**		(9,555)	
Sale of properties	**4,726**		4,360	
Purchase of office equipment and motor cars	**(578)**		(206)	
Sale of office equipment and motor cars	**6**		46	
Dividends received	**87**		178	
Cash flows from investing activities		**786**		(5,177)
Financing activities				
Shares issued for cash	**-**		107	
Issue expenses	**(1)**		-	
Purchase of treasury shares	**(6,721)**		(581)	
Sale of treasury shares	**367**		-	
Equity dividends paid	**(1,355)**		(867)	
Cash attributable as agents	**(2,520)**		-	
Drawdown of short term bank loan	**-**		643	
Drawdown of medium term bank loan	**2,650**		8,525	
Cash flows from financing activities		**(7,580)**		7,827
Net (decrease)/increase in cash and cash equivalents		**(7,580)**		879
Cash and cash equivalents at beginning of year		**11,346**		10,467
Cash and cash equivalents at end of year		**3,766**		11,346

Cash and cash equivalents

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

	2005	2004
	£'000	£'000
Cash and cash equivalents	**6,212**	12,253
Bank overdraft	**(2,446)**	(907)
Cash and cash equivalents at end of year	**3,766**	11,346

*Restated under IFRS (see note 25)

Group accounting policies

The following are the principal accounting policies:

Basis of accounting

The group financial statements have been prepared in accordance with International Financial Reporting Standards(IFRS), as adopted by the European Union for the first time and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The company has elected to prepare the parent company's financial statements in accordance with UK GAAP, as applied in accordance with the provisions of the Companies Act 1985 and these are presented in note 26. The financial statements have been prepared under the historical cost convention, except for the revaluation of freehold and leasehold properties and financial assets held for trading.The preparation of the financial statements requires management to make assumptions and estimates that may affect the reported amounts of assets and liabilities and the reported income and expenses. Although management believes that the assumptions and estimates used are reasonable, the actual results may differ from those estimates.

Change in accounting policies

Prior to the adoption of IFRS the financial statements had been prepared in accordance with United Kingdom accounting standards (UK GAAP). The accounting policies set out below have been applied consistently to all periods presented in these consolidated statements and in preparing an opening IFRS balance sheet at 1 January 2004, for the purposes of the transition to Adopted IFRS. Reconciliation and description of the effect of the transition from UK GAAP to IFRS on the reported financial information is set out in Note 25.

Basis of consolidation

The group accounts incorporate the accounts of London & Associated Properties PLC and all of its subsidiary undertakings, together with the group's share of the results of its joint ventures and associates.

Subsidiaries

Subsidiaries are those entities controlled by the group. Control is assumed when the group has the power to govern the financial and operating policies of an entity or business and to benefit from its activities. Subsidiaries acquired during the year are consolidated using the acquisition method.
Their results are incorporated from the date that control passes.

Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control, as established by contractual agreement, include the appropriate share of the results and net assets of those undertakings.

Associates

Undertakings in which the group has a participating interest of not less that 20% in the voting capital and over which it has the power to exert significant influence are defined as associated undertakings. The financial statements include the appropriate share of the results and reserves of those undertakings.

Revenue

Rental income

Rental income arises from operating leases granted to tenants. An operating lease is a lease other than a financial lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to a lessee.
Rental income is recognised in the group income statement on a straight-line basis over the term of the lease. This includes the effect of lease incentives to tenants, which are normally in the form of rent free periods or capital contributions in lieu of rent free periods.
For income from property leased out under a finance lease, a lease receivable asset is recognised in the balance sheet at an amount equal to the net investment in the lease, as defined in IAS17. Minimum lease payments receivable, again as defined in IAS 17, are apportioned between finance income and the reduction of the outstanding lease receivable so as to produce a constant periodic rate of return on the remaining net investment in the lease. Contingent rents, being the difference between the rent currently receivable and the minimum lease payments when the net investment in the lease was originally calculated, are recognised as property income in the periods in which they are receivable.

Reverse surrender premiums

Payments received from tenants to surrender their lease obligations are recognised immediately in the income statement.

Dilapidations

Dilapidations monies received from tenants in respect of their lease obligations are recognised immediately in the income statement.

Other revenue

Revenue in respect of listed investments held for trading represents investment dividends received and profit or loss recognised on realisation. Dividends are recognised in the income statement when the dividend is received.

Property operating expenses

Property operating expenses are expenses as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

Employee benefits

Share based remuneration

The company operates a long- term incentive plan and share option scheme. The fair value of the conditional awards on shares granted under the long- term incentive plan and the options granted under the share option scheme are determined at the date of grant. This fair value is then expensed on a straight- line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At each reporting date, the fair value of the non- market based performance criteria of the long- term incentive plan is recalculated and the expense is revised. In respect of the share option scheme, the fair value of options granted is calculated using a binomial model.

Pensions

The company operates a defined contribution pension scheme. The contributions payable to the scheme are expensed in the period to which they relate.

Financial instruments

Investments

Held to maturity investments are stated at cost less impairment losses. Investments held for trading are included in current assets and are revalued at fair value. For listed investments, fair value is the bid market listed value at the balance sheet date. Realised and unrealised gains or losses arising from changes in fair value are included in the income statement of the period in which they arise.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is made when there is evidence that the group will not be able to collect all amounts due.

Group accounting policies continued

Trade and other payables
Trade and other payables are stated at cost.

Bank loans and overdrafts
Bank loans and overdrafts are included as financial liabilities on the group balance sheet at the amounts drawn on the particular facilities. Interest payable on those facilities is expensed as a finance cost in the period to which it relates.

Debenture loan
The debenture loan is included as a financial liability on the balance sheet net of the unamortised discount and costs on issue. The difference between this carrying value and the redemption value is recognised in the group income statement over the life of the debenture on an effective interest basis. Interest payable to debenture holders is expensed in the period to which it relates.

Finance lease liabilities
Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is calculated as the present value of the minimum lease payments, reducing in subsequent reporting periods by the apportionment of payments to the lessor.

Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.
Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the period in which they are incurred.

Interest rate derivatives
The group uses derivative financial instruments to hedge the interest rate risk associated with the financing of the group's business. No trading in such financial instruments is undertaken. At each reporting date, these interest rate derivatives are recognised at fair value, being the estimated amount that the group would receive or pay to terminate the agreement at the balance sheet date, taking into account current interest rates and the current credit rating of the counterparties. The attaching hedged instrument is also recognised at fair value. The gain or loss at each fair value remeasurement is recognised immediately in the group income statement.
The group has applied IAS32 'Financial instruments: Disclosure and presentation' and IAS39 'Financial instruments: Recognition and measurement' with effect from 1 January 2005.

Treasury shares
When the group's own equity instruments are repurchased, consideration paid is deducted from equity as treasury shares until they are cancelled. When such shares are subsequently sold or reissued, any consideration received is included in equity.

Investment properties
Valuation
Investment properties are those that are held either to earn rental income or for capital appreciation or both, including those that are undergoing redevelopment. They are reported on the group balance sheet at fair value, being the amount for which an investment property could be exchanged between knowledgeable and willing parties in an arm's length transaction, and adjusted to include the carrying value of leasehold interests and lease incentive debtors. The valuation is undertaken by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and categories of properties being valued.
Surpluses or deficits resulting from changes in the fair value of investment property are reported in the group income statement in the period in which they arise.

Capital expenditure
Capital expenditure, being costs directly attributable to the redevelopment or refurbishment of an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property.
The redevelopment on an existing investment property will remain an investment property measured at fair value and is not reclassified.
Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes, or for that part of the development costs financed out of borrowings the capitalised interest is calculated on the basis of the average rate of interest paid on the relevant debt outstanding.

Disposal
The disposal of investment properties is accounted for on completion of contract. On disposal, any gain or loss is calculated as the difference between the net disposal proceeds and the valuation at the last year end plus subsequent capitalised expenditure in the period.

Depreciation and amortisation
In applying the fair value model to the measurement of investment properties, depreciation and amortisation are not provided in respect of investment properties.

Plant and equipment
Other non-current assets, comprising plant and equipment, are depreciated at a rate of between 10% and 25% per annum which is calculated to write off the cost, less estimated residual value of the assets on a straight line basis, over their expected useful lives.

Goodwill
Goodwill arising on acquisition is recognised as an intangible asset and initially measured at cost, being the excess of the cost of the acquired entity over the group's interest in the fair value of the assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses.

Income taxes
The charge for current taxation is based on the results for the year as adjusted for disallowed or non-assessable items.
Tax payable upon realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. In respect of the deferred tax on the revaluation surplus, this is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment portfolio as at the reporting date. The calculation takes account of indexation on the historic cost of properties and any available capital losses.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the group income statement , except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

Cash and cash equivalents
Cash comprises cash in hand and on demand deposits, net of bank overdrafts. Cash equivalents comprise short- term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value and original maturities of three months or less.

Notes to the financial statements

for the year ended 31 December 2005

1. Segmental analysis

Business segments

	2005 Property £'000	2005 Listed investments £'000	2005 Total £'000	Restated 2004 Property £'000	Restated 2004 Listed investments £'000	Restated 2004 Total £'000
Rental income	7,867	-	7,867	7,759	-	7,759
Property overheads	(3,410)	-	(3,410)	(2,630)	-	(2,630)
Net rental income	4,457	-	4,457	5,129	-	5,129
Other income	-	169	169	-	345	345
Profit on sale of investment properties	1,230	-	1,230	142	-	142
Net gain on revaluation of investment properties	10,078	-	10,078	9,088	-	9,088
Net gain on revaluation of investments held for trading	-	831	831	-	-	-
Segment result	15,765	1,000	16,765	14,359	345	14,704
Administration costs	(173)	-	(173)	-	-	-
Operating profit after adjustments	15,592	1,000	16,592	14,359	345	14,704
Total assets (excluding investments in associate)	159,165	4,586	163,751	149,989	2,681	152,670
Investments in associate - non segmental	-	-	6,495	-	-	5,294
Total liabilities (excluding borrowings)	(26,965)	-	(26,965)	(26,627)	-	(26,627)
Borrowings	(54,940)	-	(54,940)	(50,737)	-	(50,737)
Net assets	77,260	4,586	88,341	72,625	2,681	80,600
Other segment items:						
Depreciation	125	-	125	108	-	108
Capital expenditure	3,464	-	3,464	9,361	-	9,361

Rental income

	Company £'000	Analytical Properties £'000	Dragon Retail Properties Limited £'000	Total £'000	Group Share 2005 £'000	2004 Restated £'000
Rental income	7,867	8,802	247	16,916	12,392	12,964
Direct property expenses	(894)	(2,030)	(18)	(2,942)	(1,918)	(1,924)
Net rental income	6,973	6,772	229	13,974	10,474	11,040
Attributable overheads	(2,516)	(606)	(19)	(3,141)	(2,829)	(2,162)
	4,457	6,166	210	10,833	7,645	8,878
Less: attributable to joint ventures					(3,188)	(3,749)
Net rental income					4,457	5,129

Geographical segments

At net rental income level, the group operates in the United Kingdom only.

2. Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is arrived at after charging:		
Depreciation on tangible fixed assets - owned assets	**125**	108
Net gain on revaluation of investment properties	**10,078**	9,088
Operating lease rentals - land and buildings	**334**	197
Loss/(profit) on disposal of motor vehicles and office equipment	**1**	(10)
Amounts payable to the auditors in respect of both audit and non-audit services:		
Statutory audit	**72**	41
Further assurance services	**12**	3
Advisory services	**-**	7
Other services	**24**	2
	108	53

3. Listed investments held for trading

	2005 £'000	2004 £'000
Investment sales	**672**	1,092
Dividends receivable	**111**	98
	783	1,190
Cost of sales	**(589)**	(822)
	194	368
Less - attributable overheads	**(25)**	(23)
Net income from listed investments	**169**	345

4. Directors' Emoluments

	2005 £'000	2004 £'000
Emoluments	**1,175**	816
Defined contribution pension contributions	**118**	106
	1,293	922

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

5. Finance costs

	2005 £'000	2004 £'000
Interest receivable	**820**	721
Interest payable:		
Interest on bank loans and overdrafts	**(1,923)**	(1,557)
Other loans	**(2,106)**	(2,107)
Interest on obligations under finance leases	**(442)**	(414)
Total borrowing costs	**(4,471)**	(4,078)
Less: amounts included in the cost of qualifying assets	**63**	-
	(4,408)	(4,078)
	(3,588)	(3,357)

£63,000 interest payable (2004: Nil) has been transferred to the cost of investment properties (Note 9). The amount transferred represents the cost of funds forming part of the group's borrowings which were used in financing major capital projects.

Notes to the financial statements continued

6. Income tax

	2005 £'000	2004 £'000
Current tax:		
Corporation tax on profits of the period	595	544
Adjustments in respect of previous periods	(71)	5
Total current tax	524	549
Deferred tax:		
Origination and reversal of timing differences	(6)	(16)
Revaluation of investment properties	2,294	1,435
Revaluation of investments held for trading	193	-
Accelerated capital allowances	41	35
Total deferred tax (note 18)	2,522	1,454
Tax on profit on ordinary activities	3,046	2,003

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 (2004: 30 per cent). The differences are explained below:

	2005	2004
Profit on ordinary activities before taxation	17,895	18,619
Taxation on ordinary activities at 30 per cent	5,368	5,585
Effects of:		
Expenses not deductible for tax purposes	4	4
Capital allowances for the year in excess of depreciation	(449)	(1,324)
Capital gains lower than profit on disposal	(155)	(41)
Other differences	(184)	(44)
Joint ventures and associate	(1,467)	(2,182)
Adjustment in respect of prior years	(71)	5
Tax charge for the period	3,046	2,003

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.

Deferred tax provision has been made for gains on revaluing investment properties. At present it is not envisaged that any tax will become payable in the foreseeable future.

7. Dividend

	2005 Per share	2005 £'000	2004 Per share	2004 £'000
Dividends paid during the year relating to the prior period	1.65p	1,355	1.525p	1,241
Dividends to be paid:				
Interim dividend for 2005 paid on 25 January 2006 (2004: Nil)	0.55p	419	-	-
Proposed final dividend for 2005	1.175p	895	1.65p	1,346
	1.725p	1,314	1.65p	1,346

The proposed final dividend will be payable on 7 July 2006 to shareholders registered at the close of business on 16 June 2006. Dividends are now accounted for only in the financial year in which they are paid.

8. Earnings per share and net assets per share

Earnings per share have been calculated as follows:

	2005 £'000	2004 £'000
Profit for the year for the purposes of basic and diluted earnings per share	**14,849**	16,616
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	**78,839**	81,663
Basic earnings per share	**18.83p**	20.34p
Diluted number of shares in issue re share options ('000)	**182**	491
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	**79,021**	82,154
Fully diluted earnings per share	**18.79p**	20.23p

Net assets per share have been calculated as follows:

	Net assets		Shares in issue		Net assets per share	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 Pence	2004 Pence
Basic						
At 31 December 2005	**88,341**	80,600	**76,129**	81,567	**116.04p**	98.82p
Dilution adjustments for shares subject to option agreements-						
Issue of outstanding share options	**52**	223	**150**	791		
Diluted	**88,393**	80,823	**76,279**	82,358	**115.88p**	98.14p

9. Property and plant and equipment

	Investment Properties			Office equipment and motor vehicles
	Total £'000	Freehold £'000	Leasehold over 50 years £'000	£'000
Cost or valuation at 1 January 2005	116,949	52,491	64,458	1,051
Additions	3,464	3,187	277	584
Disposals	(4,902)	(4,300)	(602)	(156)
Decrease in present value of head leases	(36)	-	(36)	-
Increase on revaluation	10,078	5,193	4,885	-
Cost or valuation at 31 December 2005	**125,553**	**56,571**	**68,982**	**1,479**
Representing assets stated at:				
Valuation	125,553	56,571	68,982	-
Cost	-	-	-	1,479
	125,553	**56,571**	**68,982**	**1,479**
Depreciation at 1 January 2005	-	-	-	531
Charge for the year	-	-	-	125
Disposals	-	-	-	(152)
Depreciation at 31 December 2005	-	-	-	504
Net book value at 1 January 2005	116,949	52,491	64,458	520
Net book value at 31 December 2005	**125,553**	**56,571**	**68,982**	**975**

Notes to the financial statements continued

9. Property and plant and equipment continued

	Investment Properties Total £'000	Freehold £'000	Leasehold over 50 years £'000	Office equipment and motor vehicles £'000
Cost or valuation at 1 January 2004	102,821	40,772	62,049	1,010
Additions	9,361	8,223	1,138	206
Disposals	(4,250)	-	(4,250)	(165)
Decrease in present value of head leases	(71)	-	(71)	-
Increase on revaluation	9,088	3,496	5,592	-
Cost or valuation at 31 December 2004	116,949	52,491	64,458	1,051
Representing assets stated at:				
Valuation	116,949	52,491	64,458	-
Cost	-	-	-	1,051
	116,949	52,491	64,458	1,051
Depreciation at 1 January 2004	-	-	-	541
Charge for the year	-	-	-	108
Disposals	-	-	-	(118)
Depreciation at 31 December 2004	-	-	-	531
Net book value at 1 January 2004	102,821	40,772	62,049	469
Net book value at 31 December 2004	116,949	52,491	64,458	520

99.9% of leasehold over fifty years and freehold properties, excluding the present value of head leases, were valued as at 31 December 2005 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.

	2005 £'000	2004 £'000
Allsop & Co, Chartered Surveyors	**111,580**	103,330
Hill Woolhouse, Chartered Surveyors	**5,359**	4,369
Directors' valuations	**32**	632
	116,971	108,331
Present value of head leases	**8,582**	8,618
	125,553	116,949

The historical cost of investment properties, including total capitalised interest of £124,000 (2004 : £61,000) was as follows:

	2005 Freehold £'000	2005 Leasehold over 50 years £'000	2004 Freehold £'000	2004 Leasehold over 50 years £'000
Cost at 1 January	**34,531**	**34,861**	26,308	36,019
Additions	**3,187**	**277**	8,223	1,138
Disposals	**(2,557)**	**(481)**	-	(2,296)
Cost at 31 December	**35,161**	**34,657**	34,531	34,861

10. Investment in joint ventures	2005 £'000	2004 £'000
Group share of :		
Turnover	**4,525**	5,205
Profit before tax	**4,886**	7.878
Taxation	**(1,227)**	(1,811)
Profit after tax	**3,659**	6,067
Non-current assets	**95,049**	88,825
Current assets	**3,087**	3,633
Current liabilities	**(2,682)**	(2,723)
Non current liabilities	**(75,195)**	(73,731)
Net assets	**20,259**	16,004

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 (2004: 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 (2004:500,000 ordinary shares of £1 each). The company is managed by a board of directors with neither party having overall control.

	Shares in joint Ventures £'000
At 1 January 2005	**14,560**
Share of profit after tax	**3,659**
IAS 39 - share of financial liabilities - 1 January 2005	**(186)**
	3,473
At 31 December 2005	**18,033**

Notes to the financial statements continued

11. Investments in associated company

Associate	2005 £'000	2004 £'000
Bisichi Mining PLC - listed mining and property investment company		
Group share of :		
Turnover	**5,621**	4,813
Profit before tax	**1,518**	1,672
Taxation	**(286)**	(328)
Profit after tax	**1,232**	1,344
Non-current assets	**10,239**	9,370
Current assets	**2,440**	1,635
Current liabilities	**(2,878)**	(2,265)
Non current liabilities	**(2,961)**	(3,322)
Net assets	**6,840**	5,418

	Shares in associate £'000
At 1 January 2005	**5,294**
Share of profit after tax	**1,232**
IAS 39 - share of financial assets - 1 January 2005	**91**
Currency translation	**(35)**
Dividend received	**(87)**
	1,201
At 31 December 2005	**6,495**

The company owns 42 per cent (2004: 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 (bid) value of this investment at 31 December 2005 was £10,771,000 (2004: £9,055,000).

12. Held to maturity investments

	2005			2004		
	Total £'000	Unlisted shares £'000	Loan Stock in joint Ventures £'000	Total £'000	Unlisted shares £'000	Loan Stock in joint Ventures £'000
Cost						
At 1 January and 31 December	**3,784**	**5**	**3,779**	3,784	5	3,779

13. Trade and other receivables

	2005 £'000	2004 £'000
Rents receivable	**252**	514
Amounts due from associate and joint ventures	**1,051**	618
Other debtors	**1,442**	475
Prepayments and accrued income	**1,863**	316
	4,608	1,923

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

14. Investments held for trading

	2005 £'000	2004 £'000
Market bid value of the listed investment portfolio	**4,586**	3,721
Unrealised excess of market value over cost	**1,679**	1,040
Listed investment portfolio at cost	**2,907**	2,681

All investments are listed on the London Stock Exchange.

15. Trade and other payables

	2005 £'000	2004 £'000
Amounts owed to joint ventures	**950**	3,762
Other taxation and social security costs	**569**	384
Other creditors	**980**	793
Accruals and deferred income	**4,225**	3,999
	6,724	8,938

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

16. Borrowings

Current borrowings - amounts falling due within one year	2005 £'000	2004 £'000
Bank overdrafts (unsecured)	**2,446**	907

Non-current borrowings - amounts falling due after more than one year

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 *	**9,719**	9,705
	21,419	21,405
Term bank loans:		
Bank loans	**31,075**	28,425
	52,494	49,830

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

Interest payable on the bank loans is variable being based upon the London Inter Bank 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 £20 million bank revolving credit facility was negotiated in March 2004 and is repayable in March 2011.
c) A long term £20 million bank revolving credit facility was negotiated in July 2004 and is repayable in July 2009.
Both (b) and (c) are secured on specific freehold and long leasehold properties.

17. Financial instruments

Treasury policy
The group enters into derivative transactions such as interest rate swaps in order to help manage the financial risks arising from the group's activities. The main risks arising from the group's financing structure are interest rate risk, liquidity risk and market price risk. The policies for managing each of these risks and the principal effects of these policies on the results are summarised below.

Interest rate risk
Treasury activities take place under procedures and policies approved and monitored by the board to minimise the financial risk faced by the Group. The bank loans are secured by way of a first charge on certain fixed assets. The rates of interest vary based on LIBOR in the UK.

Liquidity risk
The group's policy is to minimise refinancing risk. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due.

Notes to the financial statements continued

Market price risk
The group is exposed to market price risk through interest rate fluctuations.

Borrowing facilities
At 31 December 2005 the group was within its bank borrowing facilities. Overdrafts are renewable annually. Term loan repayments are as set out below. Details of other financial liabilities are shown in notes 16 and 17.

Hedge profile
There is a 6%/4% collar for £4 million covering the April 2011 loan,expiring in September 2007 and a 5.5% cap for £4 million covering the April 2011 loan, expiring in September 2008.

Financial assets
Financial assets are disclosed in notes 13 and 14 and below. The group's principal financial assets are bank balances and cash, trade and other receivables and investments. The group has no significant concentration of credit risk as exposure is spread over a large number of counterparties and customers. The credit risk in liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group's management based on prior experience and the current economic environment.

	2005 £'000	2004 £'000
Financial assets maturity		
Cash at bank and in hand	**6,212**	12,253

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

Financial liabilities maturity			
Repayment of borrowings:			
Bank loans and overdrafts:			
Repayable on demand or within one year		**2,446**	907
Repayable between one and two years		**-**	-
Repayable between three and five years		**20,000**	20,000
Repayable after more than five years		**11,075**	8,425
		33,521	29,332
Debentures:			
Repayable in more than five years		**21,419**	21,405
		54,940	50,737
Group undrawn banking facilities, which expire within one year.		**4,804**	6,343
Interest rate risk and hedge profile			
Fixed rate borrowings		**21,700**	21,700
Floating rate borrowings	- subject to interest rate collar	**4,000**	4,000
	- subject to interest rate cap	**4,000**	-
	- not hedged	**25,521**	25,332
		55,221	51,032
Average fixed rate		**9.69%**	9.69%
Average period for which borrowing is fixed		**13.5 years**	14.5 years

The group's floating rate debt bears interest based on LIBOR.
The group's weighted average cost of debt on bank loans and debentures is 7.25% (2004: 7.5%).

Fair values

Fair value of the group's debenture liabilities:	Book Value £'000	Market Value £'000	**2005 Fair Value adjustment £'000**	2004 Fair Value adjustment £'000
Debenture stock	21,700	28,074	**(6,374)**	(5,105)
Tax at 30 per cent (2004: 30 per cent)			**1,912**	1,532
Post tax fair value adjustment			**(4,462)**	(3,573)
Post tax fair value adjustment - basic pence per share			**(5.86p)**	(4.46p)

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 2005 and reflect the replacement value of the financial instruments used to manage the group's exposure to adverse rate movements.
The fair values of the debentures are based on the net present value at the relevant gilt interest rate of the future payments of interest on the debentures.
The bank loans and overdrafts are at variable rates and there is no material difference between book values and market values.

18. Deferred tax

	2005 £'000	2004 £'000
Deferred Tax		
Balance at 1 January	**8,649**	7,195
Revaluation of investments held for trading	**311**	-
Restated balance at 1 January	**8,960**	7,195
Transfer to profit and loss account	**2,522**	1,454
Balance at 31 December	**11,482**	8,649

	2005 £'000	2004 £'000
The deferred tax balance comprises the following:		
Revaluation of investment properties	**9,578**	7,284
Revaluation of investments held for trading	**504**	-
Accelerated capital allowances	**1,372**	1,331
Short-term timing differences	**28**	34
Provision at end of period	**11,482**	8,649

The directors consider the temporary differences arising in connection with the interests in associate and joint ventures are insignificant.

19. Share capital

	Number of ordinary 10p shares 2005	2004	2005 £'000	2004 £'000
Authorised: ordinary shares of 10p each	**110,000,000**	110,000,000	**11,000**	11,000
Allotted, issued and fully paid	**82,316,972**	82,316,972	**8,232**	8,232
Less: held in Treasury (see below)	**6,188,121**	750,000	**(619)**	(75)
"Issued share capital" for reporting purposes	**76,128,851**	81,566,972	**7,613**	8,157
Movement in allocated, issued and fully paid shares during the year				
Exercise of share options	**-**	310,000	**-**	31
Shares issued in lieu of final dividend (Scrip dividend)	**-**	610,236	**-**	61
	-	920,236	**-**	92

The company has one class of ordinary shares which carry no right to fixed income.

Treasury shares

	Date	Price excl. costs	Number of ordinary 10p shares 2005	2004	Cost/issue value 2005 £'000	2004 £'000
Shares held in Treasury at 1 January			**750,000**	-	**581**	-
Buy back under Tender Offer	**Jun-05**	**104p**	**5,928,273**	-	**6,404**	-
Issued to meet share options exercised	**Jun-05**		**(590,800)**	-	**(457)**	-
Market purchases (2004:Sept-Nov at 78p)	**Aug-05**	**105.5p**	**300,000**	750,000	**319**	581
Issued to meet directors and staff bonuses	**Dec-05**	**108.5p**	**(199,352)**	-	**(215)**	-
Shares held in Treasury at 31 December			**6,188,121**	750,000	**6,632**	581

Share Option Schemes
Employees' share option scheme (Approved scheme)
At 31 December 2005 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
100,000	39.5p	14 October 2006 to 13 October 2013

This share option scheme was approved by members in 1986, and has been approved by the Board of Inland Revenue.

Notes to the financial statements continued

19. Share capital continued

A summary of the shares allocated and options issued under the scheme up to 31 December 2005 is as follows:

	At 1 January 2005	Changes during year Options exercised	Options granted	Options lapsed	At 31 December 2005
Shares issued to date	2,046,804	290,800	-	-	2,337,604
Options granted which have not been exercised	440,800	(290,800)	-	(50,000)	100,000
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	-	-	(50,000)	3,987,559

The consideration for the 290,800 options exercised with a nominal value of 10 pence each was £74,271.

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 2005 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
50,000	25.66p	8 March 2002-7 March 2009

A summary of the shares allocated and options issued under the scheme up to 31 December 2005 is as follows:

	At 1 January 2005	Changes during year Options exercised	Options granted	Options lapsed	At 31 December 2005
Shares issued to date	100,000	300,000	-	-	400,000
Options granted which have not been exercised	350,000	(300,000)	-	-	50,000
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 300,000 options exercised with a nominal value of 10 pence each was £76,980.

20. Related party transactions

	Cost recharged to (by) related party £'000		Amounts owed by (to) related party £'000	Cash advanced to (by) related party £'000
Related party:				
Analytical Property Holdings Limited				
Loan stock interest	289	i)	-	-
Current account	494	ii)	733	2,520
Dragon Retail Properties Limited				
Current account	-		57	-
Loan account	-		(950)	-
Bisichi Mining PLC				
Current account	223	ii)	261	-
Directors and key management				
M A Heller and J A Heller	45	iii)	-	-
H D Goldring (Delmore Investments Limited)	12	iv)	-	-
Totals at 31 December 2005	**1,063**		**101**	**2,520**
Totals at 31 December 2004	1,048		(3,110)	(643)

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 10 and 11.

20. 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.

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 and key management
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 (2004: £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, Penrith Retail Limited, Shop.com Limited, South Yorkshire Property Trust Limited and Wasdon Investments Limited.

In addition the company received fees of £51,928 (2004:£100,000) 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 financial services to the company on an invoiced fee basis.

M A Heller is a director of Bisichi Mining PLC, the associated company and recieved a salary of £75,000 for the year ended 31 December 2005 for services.

21. Employees

The average number of employees, including directors, of the group during the year involved in management and administration was 38 (2004: 40)

	2005 £'000	2004 £'000
Staff costs during the year were as follows:		
Salaries and other costs	**1,703**	1,502
Social security costs	**262**	181
Pension costs	**209**	195
	2,174	1,878

22. Capital commitments

	2005 £'000	2004 £'000
Commitments to capital expenditure contracted for at the year end	**2,030**	150

The group's share of capital commitments of joint ventures at the year end amounted to £8 million (2004: £10 million)

23. Commitments under operating leases and finance leases

Operating leases
At 31 December 2005 the group and the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2005 £'000	2004 £'000
Expiring in more than one year but less than five years	**-**	197
Expiring in more than five years	**334**	-

Operating lease payments represent rental payable by the group for its office premises. The leases are for an average term of 10 years and rentals are fixed for an average of one year.

Notes to the financial statements continued

23. Commitments under operating leases and finance leases continued

Present value of head leases on properties	Minimum leases payments 2005 £'000	2004 £'000	Present value of minimum lease payments 2005 £'000	2004 £'000
Amounts payable under finance leases				
Within one year	**438**	439	**438**	439
In the second to fifth years inclusive	**1,750**	1,756	**1,651**	1,656
After five years	**43,633**	44,153	**6,493**	6,523
	45,821	46,348	**8,582**	8,618
Present value of finance lease liabilities	**(37,239)**	(37,730)	**-**	-
	8,582	8,618	**8,582**	8,618

Finance lease liabilities are in respect of leased investment property. Many leases provide for contingent rent in addition to the rents above, usually a proportion of net rental income.
Finance leases liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

24. Contingent liabilities

There were no contingent liabilities at 31 December 2005 (2004:nil)

25. Adoption of International Financial Reporting Standards (IFRS)

As stated in the Accounting Policies (page 30), these are the group's first consolidated financial statements prepared in accordance with Adopted IFRSs. The comparative information for the year ended 31 December 2004, previously prepared under UK GAAP, has been restated under Adopted IFRSs.

Key Changes

The main difference between UK GAAP and IFRS for the financial statements under review are:

Property revaluations - surpluses or deficits on investment property revaluations are shown on the face of the income statement rather than as a movement in reserves; only a valuation movement above the cost of a development property is still taken direct to the revaluation reserve; and

Head leases - leasehold investment property and long-term liabalities are increased by an estimation of future ground rents payable, and the majority of ground rents payable in the year are disclosed as interest payable.

Events after the balance sheet date - a proposed dividend is no longer considered to be an adjusting post balance sheet event, but instead a deduction from reserves in the year in which it is paid;

Financial instruments - the fair value of derivatives are recorded in the balance sheet and the movement in their value is taken to reserves or to the income statement;

Deferred tax - contingent capital gains tax implicit within a property valuation is accrued as a deferred tax liability.

Transitional arrangements

IFRS 1 "First-time Adoption of International Reporting Standards" sets out the procedures that the group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. In general, the group is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet as at 1 January 2004 (" the transition date ") under IFRS. The standard allows a number of exceptions to this general principle to assist groups in the transition to reporting under IFRS. Where LAP has taken advantage of these exemptions they are noted below.

Business Combinations that occured before the opening IFRS balance sheet date (IFRS 3 "Business Combinations").

LAP has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of 1 January 2004. As a result, all prior business combination accounting has been frozen at the transition date.

Financial Instruments: Recognition and Measurement (IAS 39)

The comparative periods have not been restated for IAS 39, particuarly in respect of derivative financial instruments. The fair value of these instruments at the start of 2005 was passed through reserves, and the subsequent movement is reported in the group income statement. The group has not applied the hedge accounting treatment that would allow such movements to be deferred in equity.

Performance Reporting

The effect of adopting IFRS as at 31 December 2004, and for the year then ended, on our key performance measures are set out below:

	UK GAAP	Change	IFRS
Net assets* (£'000)	91,214	(10,614)	80,600
Net assets per share (pence)	111.83p	(13.01p)	98.82p
Diluted net assets per share (pence)	111.02p	(12.88p)	98.14p
Earning per share (pence)	2.82p	17.52p	20.34p
Diluted earnings per share (pence)	2.80p	17.43p	20.23p

* including current asset investments at market value

Cash Flow

The introduction of IFRS will not affect the cash flows of the business. The presentation of the cash flow statment for LAP will not differ significantly from that under UK GAAP.

Dividend Policy and Distributable Reserves

At 31 December 2004 LAP has distributable reserves of £19.1 million, after declaring a full year dividend of £1.3 million in aggregate. As the individual company financial statements of LAP and each of its subsidiary undertakings will continue to be prepared under UK GAAP, the introduction of IFRS will not affect LAP's distributable reserves. Accordingly, the dividend policy of the Group is not affected by the introduction of IFRS.

Taxation

As the financial statements of LAP and each of its subsidiary undertakings will continue to be prepared under UK GAAP, the introduction of IFRS will have no impact on the taxation status or tax payments of the group.

Impact on the income statement	Notes	2004 £' 000
Profit for the year under UK GAAP		2,301
IFRS adjustments:		
Revaluation surplus on investment properties - group	1	9,088
- joint ventures	1	8,629
Deferred tax on revaluation surplus on investment properties - group	2	(1,435)
- joint ventures and associate		(1,730)
Foreign currency translation - associate	6	(237)
Profit for the year under IFRS		**16,616**

Consolidated balance sheet	31 Dec 2004 UK GAAP £' 000	IFRS Adjustments £' 000	Notes	31 Dec 2004 IFRS £' 000
Assets				
Non current assets				
Property, plant and equipment	108,851	8,618	3	117,469
Investment in joint ventures	17,451	(2,891)	2,7	14,560
Investment in associated company	6,036	(742)	2,5	5,294
Held to maturity investments	3,784	-		3,784
	136,122	**4,985**		**141,107**
Current assets				
Trade and other receivables	1,923	-		1,923
Financial assets-investments held for trading	2,681	-		2,681
Cash and cash equivalents	12,253	-		12,253
	16,857			**16,857**
Liabilities				
Current liabilities				
Financial liabilities - borrowings	(907)	-		(907)
Trade and other payables	(10,284)	1,346	5	(8,938)
Current tax labilities	(422)	-		(422)
	(11,613)	**1,346**		**(10,267)**
Non-current liabilities				
Financial liabilities - borrowings	(49,830)	-		(49,830)
Present value of head leases on properties	-	(8,618)	3	(8,618)
Deferred tax	(1,365)	(7,284)	2	(8,649)
Net assets	**90,171**	**(9,571)**		**80,600**
Equity				
Share capital	8,232	-		8,232
Share premium account	5,226	-		5,226
Capital redemption reserve	47	-		47
Revaluation reserve	55,404	(55,404)	1	-
Other reserves	429	-		429
Retained earnings	21,414	45,833	1,2,3,4,5,6	67,247
Treasury shares	(581)	-		(581)
	90,171	**(9,571)**		**80,600**

Notes to the financial statements continued

25. Adoption of International Financial Reporting Standards (IFRS) continued

Notes:

1 **Revaluation surplus reported in the group income statement**
IAS 40, Investment property, requires that the surplus or deficit on the revaluation of investment properties is reported in the group income statement. This includes the revaluation of the group's investment properties, and, for 2004, the group's share of the revaluation surplus on a property held in an associate and joint ventures.

Previously, revaluation surpluses or deficits, to the extent that any deficit was not permanent, were reported as a movement in the revaluation reserve.

2 **Deferred tax on the revaluation surplus reported as part of the tax charge**
IAS 12, Income Taxes, requires a provision for the tax that would be payable if the investment portfolios and listed investments were sold. This is included within deferred tax and is a reduction in net assets. The movement in this provision in any reporting period is reported as part of the tax charge in the group income statement.

Previously under UK GAAP, FRS 19, Deferred Tax, specifically prohibited this provision being made in respect of investment properties.

3 **Grossing up of headlease liabilities**
IAS 17, Leases, requires that the liability to make future lease payments on a leasehold investment property is provided for in full, based on the present value of the minimum lease payments. This liability is included within net debt and the investment property is reported gross of the liability.

The rent paid on such leases is re-categorised, split between interest payable and repayment of the lease liability. As the unexpired term of these leasehold properties decreases, the balance between interest payable and lease liability repayment will begin to reverse. The rent currently payable that exceeds the minimum payable when the liability was first calculated as a result of, for example, review increases, is referred to as contingent rent and is included within property outgoings in the income statement.

Previously, leasehold investment properties were reported net of the leasehold liability and the lease payments were reported as ground rents payable within property outgoings.

4 **Fair value or derivative financial instruments**
IAS 39, Financial Instruments: Recognition and Measurement, requires the interest rate hedging instruments, which the group uses to manage interest rate risk, to be carried at fair value. Movements in fair value are reported in the group income statement. The hedge accounting treatment that would allow such movements to be deferred in equity has not been applied.

Previously the fair value of these financial instruments was only disclosed in the notes to the financial statements.

Listed invesments which were previously held at cost have been revalued under the requirements of IAS 39 to fair value at the balance sheet date.

The group has taken advantage of the transitional provisions of IFRS 1 which permit prospective application of IAS 39 from 1 January 2005.

5 **Dividends not declared by the period end**
IAS 10, Events after the Balance Sheet Date, requires that dividends not declared by the end of the accounting period are excluded from the results. Previously, dividends declared after the end of the accounting period were included as a deduction from profit for the period.

6 **Foreign currency translation in associate**
IAS 21, The effects of the changes in foreign exchange rates, requires net exchange differences arising on the translation of foreign entities to be separately tracked within equity and the cumulative amounts disclosed. The associate has taken advantag of the exemption allowed by IFRS 1 to deem the cumulative exchange adjustment at 1 January 2004 to be zero.

7 **Joint ventures single line equity accounting**
This is a presentational change only. The interest in, and share of results of, joint ventures is shown as a single line on the group balance sheet, including the group share of the revaluation surplus.

8 **Reconciliation of equity**	**£' 000**
At 31 December 2004 under UK GAAP	90,171
Restatement under IFRS	
Deferred tax on revaluation of investment properties	(7,284)
Provision for proposed dividend	1,346
Investments in Joint Ventures and Associate	(3,633)
	80,600

26. Company financial statements

Company balance sheet at 31 December 2005

	Notes	2005 £'000	Restated* 2004 £'000
Fixed assets			
Tangible assets	26(3)	**117,946**	108,851
Other investments			
Associated company	26(4)	**358**	358
Other	26(4)	**7,736**	7,736
		8,094	8,094
		126,040	116,945
Current assets			
Debtors	26(5)	**4,608**	1,923
Investments	26(6)	**4,586**	2,681
Bank balances		**6,212**	12,253
		15,406	16,857
Creditors			
Amounts falling due within one year	26(7)	**(9,361)**	(10,281)
Net current assets		**6,045**	6,576
Total assets less current liabilities		**132,085**	123,521
Creditors			
Amounts falling due after more than one year	26(8)	**(52,494)**	(49,830)
Provisions for liabilities and charges	26(9)	**(1,904)**	(1,365)
Net assets		**77,687**	72,326
Capital and reserves			
Share capital	26(10)	**8,232**	8,232
Share premium account	26(11)	**5,228**	5,226
Capital redemption reserve	26(11)	**47**	47
Revaluation reserve	26(11)	**47,116**	38,900
Treasury shares	26(10)	**(6,632)**	(581)
Retained earnings	26(11)	**23,696**	20,502
Shareholders' funds		**77,687**	72,326

*Restated for adoption of new accounting standards (see note 26 (1))

These financial statements were approved by the board of directors and authorised for issue on 27 April 2006 and signed on its behalf by:

M A Heller
M C Stevens
Directors

Notes to the financial statements continued

26 (1). Company accounting policies

The following are the main accounting policies of the company:

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 except as noted below.

In these financial statements the new FRS 21:Events after the balance sheet date; FRS 25: Financial instruments: presentation and disclosure; FRS 26: Financial Instruments: measurement, includes revaluation of investments held for trading and FRS 28:Corresponding amounts have been adopted for the first time.

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 set out in note 26(3).

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.

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 per cent per annum, on the straight line basis.

Investments

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

a) Investments held as fixed assets:
These comprise investments in subsidiaries and 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.

b) Investments held as current assets:
Investments held for trading are included in current assets and are revalued at fair value. For listed investments, fair value is the bid market listed value at the balance sheet date. Realised and unrealised gains or losses arising from changes in fair value are included in the income statement of the period in which they arise.

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 company'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.

Notes to the financial statements continued

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 contributions 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.

26 (2). Profit for the financial year

The company's profit for the year was £2,605,000 (2004:£1,869,000).
In accordance with the exemption conferred by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account.

26 (3). Tangible assets

		Investment Properties		Office equipment and motor vehicles
	Total £'000	Freehold £'000	Long leasehold £'000	£'000
Cost or valuation at 1 January 2005	109,382	52,491	55,840	1,051
Additions	4,048	3,187	277	584
Disposals	(5,058)	(4,300)	(602)	(156)
Increase on revaluation	10,078	5,193	4,885	-
Cost or valuation at 31 December 2005	**118,450**	**56,571**	**60,400**	**1,479**
Representing assets stated at:				
Valuation	116,971	56,571	60,400	-
Cost	1,479	-	-	1,479
	118,450	56,571	60,400	1,479
Depreciation at 1 January 2005	531	-	-	531
Charge for the year	125	-	-	125
Disposals	(152)	-	-	(152)
Depreciation at 31 December 2005	**504**	**-**	**-**	**504**
Net book value at 1 January 2005	108,851	52,491	55,840	520
Net book value at 31 December 2005	**117,946**	**56,571**	**60,400**	**975**

99.9% of freehold and long leasehold properties were valued as at 31 December 2005 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	111,580
Hill Woolhouse, Chartered Surveyors	5,359
Directors' valuations	32
	116,971

The historical cost of investment properties, including total capitalised interest of £124,000 (2004 : £61,000) was as follows:	Freehold £'000	Long Leasehold £'000
Cost at 1 January 2005	34,531	34,861
Additions	3,187	277
Disposals	(2,557)	(481)
Cost at 31 December 2005	**35,161**	**34,657**

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

Notes to the financial statements continued

26 (4). Other Investments

	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 2005 and 31 December 2005	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.

Details of the associate and joint ventures are set out in note 10 and 11.

26 (5). Debtors

	2005 £'000	2004 £'000
Trade debtors	**252**	514
Amounts due from associate and joint ventures	**1,051**	618
Other debtors	**1,442**	475
Prepayments and accrued income	**1,863**	316
	4,608	1,923

26 (6). Investments

	2005 £'000	2004 £'000
Market value of the listed investment portfolio	**4,586**	3,724
Unrealised excess of market value over cost	**1,679**	1,043
Listed investment portfolio at cost	**2,907**	2,681

From 1 January 2005, FRS 25 and FRS 26 requires all investments held for trading are reported at fair value. The 2004 investments are reported at lower of cost or net realisable value.
All investments are listed on the London Stock Exchange.

26 (7). Creditors: Amounts falling due within one year

	2005 £'000	Restated 2004 £'000
Bank overdrafts (unsecured)	**2,446**	907
Amounts owed to subsidiary companies	**14**	14
Amounts owed to joint ventures	**950**	3,762
Corporation tax	**177**	496
Other taxation and social security costs	**569**	384
Other creditors	**980**	719
Accruals and deferred income	**4,225**	3,999
	9,361	10,281

Notes to the financial statements continued

26 (8). Creditors: Amounts falling due after more than one year

	2005 £'000	2004 £'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 *	**9,719**	9,705
	21,419	21,405
Term bank loans:		
Repayable after more than two years	**31,075**	28,425
	52,494	49,830

*The £10 million debenture is shown after deduction of un-amortised issue costs.
Details of terms and security of overdrafts, loans and debentures are set out in note 16.

	2005 £'000	2004 £'000
Repayment of borrowings:		
Bank loans and overdrafts:		
Repayable within one year	**2,446**	907
Repayable between one and two years	**-**	-
Repayable between three and five years	**20,000**	20,000
Repayable after more than five years	**11,075**	8,425
	33,521	29,332
Debentures:		
Repayable in more than five years	**21,419**	21,405
	54,940	50,737

Details of financial instruments are set out in note 17.

26 (9). Provisions for liabilities and charges

	2005 £'000	2004 £'000
Deferred taxation		
Balance at 1 January	**1,365**	1,346
Revaluation of investments held for trading	**311**	-
Restated balance at 1 January	**1,676**	1,346
Transfer to profit and loss account	**228**	19
Balance at 31 December	**1,904**	1,365

No provision has been made for the approximate taxation liability at 30 per cent (2004: 30 per cent) of £9,578,000 (2004: £7,264,000) which would arise if the investment properties were sold at the stated valuation.

	2005 £'000	2004 £'000
The deferred tax balance comprises the following:		
Accelerated capital allowances	**1,372**	1,331
Revaluation of investments held for trading	**504**	-
Short-term timing differences	**28**	34
Provision at end of year	**1,904**	1,365

Notes to the financial statements continued

26 (10). Share Capital

Details of share capital, treasury shares and share options are set out in note 19.

26 (11). Reserves

	Share Premium Account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained Earnings £'000
Balance at 31 December 2004, as previously reported	5,226	47	38,900	19,156
Prior year adjustments				
- re dividend accrual*	-	-	-	1,346
Balance at 31 December 2004, restated	5,226	47	38,900	20,502
Adoption of FRS 26				
Value of financial assets less deferred tax	-	-	-	732
Balance at 1 January 2005, restated	5,226	47	38,900	21,234
Surplus on valuation of investment properties	-	-	10,078	-
Issue expenses	(1)	-	-	-
Profit for year	-	-	-	2,605
Dividends paid in year	-	-	-	(1,355)
Gain/(Loss) on disposal of Treasury Shares	3	-	-	(306)
Transfer of realised revaluation profit	-	-	(1,862)	1,862
Taxation on realised revaluation profit	-	-	-	(344)
Balance at 31 December 2005	5,228	47	47,116	23,696

* During the year the Company adopted FRS 21:Events after the balance sheet date which superseded SSAP 17. Under the new standard final dividends payable are recognised only in the period in which they are approved in the Annual General Meeting and therefore become a liability and interim dividends are recognised in the period in which they are paid; whereas under SSAP 17 dividends were accrued for in the accounts when proposed. This has resulted in an increase of £1,346,000 in retained profit for the year ended 31 December 2004.

26 (12). Related party transactions

Details of related party transactions are given in note 20.

As provided under Financial Reporting Standard 8 : Related Party Disclosures, the company has taken advantage of the exemption from disclosing transactions with other group companies.

26 (13). Capital Commitments

	2005 £'000	2004 £'000
Commitments to capital expenditure contracted for at the year end	2,030	150

Notes to the financial statements continued

26 (14). Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2005 £'000	2004 £'000
Expiring in more than one year but less than five years	-	197
Expiring in more than five years	334	-

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £440,000 (2004: £441,000), the leases on which expire in more than fifty years.

26 (15). Contingent liabilities

There were no contingent liabilities at 31 December 2005 (2004: nil)

Five year financial summary

	IFRS	IFRS Restated	UK GAAP	UK GAAP	UK GAAP
	2005	2004	2003	2002	2001
Portfolio size	**£m**	£m	£m	£m	£m
Investment properties-group ^	**117**	108	94	96	98
Investment properties-joint ventures	**140**	127	111	53	6
Investment properties-associate	**15**	15	13	11	8
	272	250	218	160	112
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**2.72**	8.38	51.59	50.95	1.36
Disposals	**(6.70)**	(5.05)	(16.82)	(6.15)	(4.83)
Capital Expenditure	**3.34**	2.16	52.14	1.29	1.45
	(0.64)	5.49	86.91	46.09	(2.02)
Consolidated income statement	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures	**12.39**	12.96	11.36	8.34	8.92
Less: attributable to joint venture partners	**(4.52)**	(5.20)	(3.47)	(0.32)	(0.23)
Group rental income	**7.87**	7.76	7.89	8.02	8.69
Profit before interest and tax	**21.48**	21.98	8.13	6.06	6.55
Profit before tax	**17.89**	18.62	2.80	2.45	2.32
Taxation	**3.04**	2.00	0.40	0.61	0.01
Profit attributable to shareholders	**14.85**	16.62	2.40	1.84	2.31
Earnings per share - basic	**18.83p**	20.34p	2.98p	2.32p	2.95p
Earnings per share - fully diluted	**18.79p**	20.23p	2.97p	2.30p	2.91p
Dividend per share	**1.725p**	1.65p	1.525p	1.425p	1.30p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders funds	**88.34**	80.60	71.89	54.03	49.93
Adjustment of current asset investments to market value	**-**	-	0.87	0.19	0.46
Consolidated net assets*	**88.34**	80.60	72.76	54.22	50.39
Net borrowings*	**44.14**	34.33	30.82	43.05	43.94
Net gearing*	**49.97%**	42.59%	42.36%	79.40%	87.21%
Net assets per share* - Basic	**116.04p**	98.82p	89.39p	67.69p	63.92p
- fully diluted +	**115.88p**	98.14p	88.58p	66.98p	63.15p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Net cash inflow from operating activities	**3.88**	2.60	9.64	4.26	7.91
Capital investment and financial investment	**0.69**	(5.36)	8.52	1.22	2.78

Notes: ^ Excluding the present value of head leases
* 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 Sixth Annual General Meeting of London & Associated Properties PLC will be held at the RAC Club, 89 Pall Mall, London SW1Y 5HS on Wednesday 28 June 2006 at 10.30 a.m. for the transaction of the following business:

Ordinary business

1 To receive and adopt the company's annual accounts for the year ended 31 December 2005 together with the directors' report and the auditors' report on those accounts. **(Resolution 1)**

2 To approve the remuneration report for the year ended 31 December 2005. **(Resolution 2)**

3 To declare and approve a final dividend of 1.175p per share. **(Resolution 3)**

4 To elect as a director Mr C A Parritt who was appointed as a director by the board from 1 January 2006. **(Resolution 4)**

5 To re-elect as a director Mr H D Goldring. **(Resolution 5)**

6 To re-elect as a director Mr B J O'Connell. **(Resolution 6)**

7 To re-elect as a director Mr M C Stevens . **(Resolution 7)**

8 To reappoint Baker Tilly as auditors, to hold office from the conclusion of this meeting to the conclusion of the next annual general meeting. **(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 a Special Resolution:

10 That:

10.1 the directors shall have power under section 95 of the Companies Act 1985 (the Act) to allot equity securities (within the meaning of section 94 of the Act) for cash under to the authority conferred upon them for the purposes of section 80 of the Act by resolution passed on 29 May 2002 as if section 89(1) of the Act did not apply to any such allotment and

10.2 this power shall be limited:

(a) to the allotment of equity securities (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares of 10p each in the company (Ordinary Shares) in proportion (or as nearly as may be) to the respective number of Ordinary Shares held by them on that date provided that the directors may make such arrangements and exclusions to deal with fractional entitlements or any legal or practical problems arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory as they consider approximate; and

(b) to the allotment (otherwise than pursuant to paragraph 10.2(a) of this resolution) of equity securities and having, in the case of relevant shares (as defined for the purposes of section 89 a nominal amount or, in the case of equity securities, giving the right to subscribe for or convert relevant shares having a nominal amount, not exceeding in aggregate £411,584 (representing approximately 5 per cent of the issued share capital of the company) and;

10.3 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 in paragraph 10.1 the words " to the authority conferred upon them for the purposes of section 80 of the Act by resolution passed on 29 May 2002" were omitted, and

10.4 (unless previously renewed, revoked or varied) this 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 an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. **(Resolution10)**

Notice of annual general meeting continued

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 8,231,697 (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;

(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 2007 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)**

Carlton House
22a St James's Square
London SW1Y 4JH
Registered in England & Wales - Number 341829

27 April 2006

By order of the board
Michael Stevens
Secretary

Notes

1 A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company.

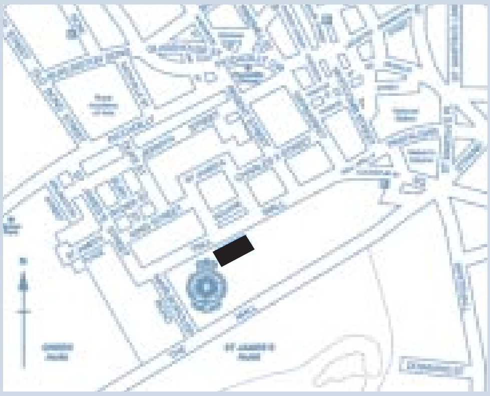
2 To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 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 the
RAC Club
89 Pall Mall
London SW1Y 5HS

The nearest Underground stations are
Piccadilly Circus and Green Park.

Please note - the RAC Club dress code requires that gentlemen wear a business suit or tailored jacket and trousers, together with a collar and tie. Ladies are requested to dress with equal formality.

LAP

London & Associated Properties PLC form of proxy

I/We the undersigned, being the holder(s) of ordinary shares of the company, hereby appoint

or, failing him/her, the chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Wednesday 28 June 2006 at 10.30 am at the RAC Club, 89 Pall Mall, London SW1Y 5HS and at any adjournment thereof. I/We direct that my/our vote(s) be cast on the resolutions as indicated by an X in the appropriate spaces below.

		FOR	AGAINST	VOTE WITHHELD
	RESOLUTIONS **Ordinary Business**			
1	To receive and adopt the company's annual accounts for the year ended 31 December 2005 together with the reports therin			
2	To approve the remuneration report for the year ended 31 December 2005			
3	To declare and approve a final dividend of 1.175p per share			
4	To elect as a director Mr C A Parritt			
5	To re-elect as a director Mr H D Goldring			
6	To re-elect as a director Mr B J O'Connell			
7	To re-elect as a director Mr M C Stevens			
8	To reappoint Baker Tilly as auditors			
9	To authorise the directors to determine the remuneration of the auditors			
	Special business			
10	A special resolution to empower the directors to disapply statutory pre-emption rights.			
11	A special resolution to authorise the company to make market purchases of its own shares			

Notes:

1 Shareholders may appoint one or more proxies of his/her/their own choice. A proxy need not be a member of the company. The chairman of the meeting will act as your proxy if you do not insert the name of a proxy of your choice.
2 Please indicate with an X how you wish your votes to be cast. Any alterations made to this form should be initialled. Please note the "vote withheld" option is provided to enable you to instruct your proxy to vote on any particular resolution. However a "vote withheld" is not a vote in law and will not be counted in any calculation of the proportion of the votes "for" and "against" a resolution.
3 Unless otherwise instructed the proxy will abstain or vote as he/she thinks fit. On any motion to amend any resolution, to propose a new resolution, to adjourn the meeting or any other motion put to the meeting the proxy will act at his/her discretion.
4 If the appointor is a corporation this proxy should be executed under the common seal of such corporation or signed by two directors or a director and secretary in accordance with Section 36A of the Companies Act 1985 or be signed by its attorney or by an authorised officer on behalf of the corporation. In the case of an individual this proxy should be signed by the appointee or his attorney.
5 To be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the company's registrars, Capita Registrars, PO Box 25, 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.
6 In the case of joint registered holders the signature of any holder is sufficient but the vote of the senior holder who tenders a vote shall be accepted to the exclusion of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members.
7 Completion of this form will not preclude a shareholder from attending and voting in person.

Full Name (block capitals please)

Address

Signed this day of 2006 (Signature)

Second Fold

BUSINESS REPLY SERVICE
Licence No MB 122

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The Registrar
London & Associated Properties PLC
Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

Third Fold

First Fold

Tuck inside facing flap

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