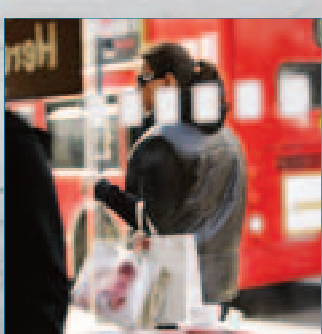
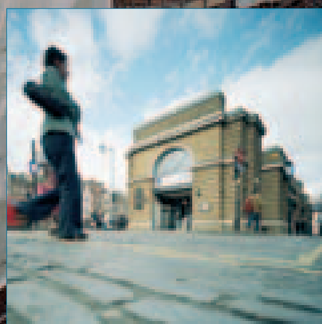
London & Associated Properties PLC

Annual report & accounts 2006

LAP



UK Shopping Centre and Central London Property Investors



London & Associated Properties PLC, the fully listed UK shopping centre and Central London property specialist, today owns and manages £301m of retail investments.

Annual General Meeting
Tuesday 5 June 2007

Payment of final dividend for 2006
Friday 6 July 2007

Announcement of half year results to 30 June 2007
late September 2007

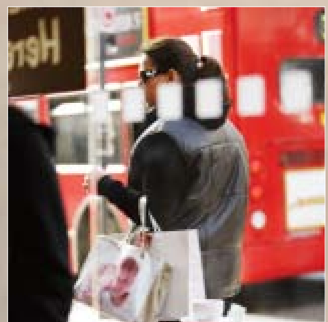
Announcement of annual results for 2007
late March 2008

Financial Highlights

- Fully diluted net assets per share rose **15%** to **133.5p** under IFRS

  (Under UK GAAP NAV per share would have been 165.1p, up 22%)
- Overall portfolio including properties owned in joint venture and with associates now stands at **£301.5m**
- Disposals of properties from overall portfolio for **£98.6m***
- Pre-tax profits up to **£18.3m** from £17.9m
- 1.25p final dividend recommended – making a total of 1.85p for year **up 7%**
- Cash reserves of **£25m***
- Gearing at year end only **84.6%**

*Following completion of recent sales



King's Road SW3

Chenil House

PRIME RETAIL PROPERTY IN A PROMINENT LOCATION ON LONDON'S KING'S ROAD.

"We go into 2007 with a number of successful deals already completed this year and the financial capacity to carry out further substantial acquisitions and developments. For this reason I look forward to the coming year with considerable confidence."

Chairman's Statement

I am pleased to report once again on a year of considerable progress for London & Associated Properties in 2006. During this year, we focused our portfolio further on properties in which we see opportunities for future growth in Central London and the South East.

We achieved this through the acquisition of The London Portfolio, a number of mainly retail properties in four areas in the capital, and through the disposal of a number of properties, all in excess of previously published valuations. We also maintained our successful record of investing in and improving our existing properties, and our cash balances reached record levels.

As a result, I am pleased to report excellent levels of capital growth. Our fully diluted net assets per share rose by 15% to 133.5p under IFRS, while under UK GAAP net assets per share rose by 22% to 165.1p. These numbers would have been higher still had we not written off goodwill and costs associated with the acquisition of The London Portfolio of £9.3m. The total value of our directly owned portfolio of retail property has risen by 65% to £192.8m, while the overall property portfolio, including the gross values of the properties of joint ventures and associates, now stands at £301.5m. Our net assets are now £101.9m under IFRS while under UK GAAP they are £125.9m.

As I reported last year, we embarked on an exciting development programme which involved the creation of some 150,000 sq ft of new, state-of-the-art retail space across our portfolio. These developments were all commenced with the significant majority of new space pre-let to substantial international retailers. During 2006, we spent £17.2m on these developments which are now for the most part completed or coming to an end. The completed units are income producing and will have a positive effect on cash flow in the coming months and years.

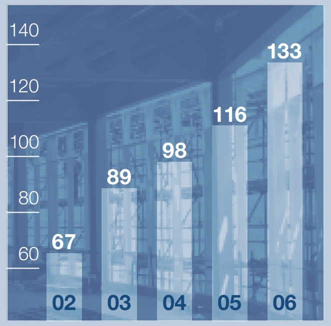
The largest of these developments, which should complete in the summer, is at King Edward Court, Windsor which we own through Analytical Properties, our joint venture with Bank of Scotland. A fuller account of progress to date is covered in the Chief Executive's Report but we have been affected at Windsor by the failure at a critical time of a highly-specialised sub-contractor who could not be quickly replaced.

We remain extremely pleased with the positive impact on the rest of the centre that we are already seeing from the imminent arrival in this new block of retailers such as Zara, Hennes and New Look along with a brand new Waitrose and Travelodge hotel.

Our development of a new 20,000 sq ft flagship store for River Island in Orchard Square, Sheffield is now completed and the tenant is fitting out. We are also about to submit a planning application for a further 45,000 sq ft anchor store to the rear of the centre.

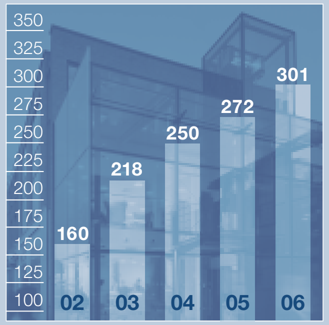
LAP Annual Report 2006
Chairman's Statement

Fully diluted net assets per share (p)



Dividend per share (p)

Overall property portfolio (£m)



During 2006 and since the year end we have disposed of two of our shopping centres. These were Church Square, St Helens which was owned in Analytical Properties and for which we achieved a sale price £75.0m, and the directly-owned Mall in Dagenham on which we have exchanged contracts and for which we will receive £18.7m at completion. Both sale prices are considerably in advance of the December 2005 valuations of £65.0m and £14.9m respectively.

In September we completed the acquisition of the Atlantic Group of Companies which owns The London Portfolio, a £50.3m portfolio of mainly retail properties in prime and established parts of Central London. This portfolio is attractive to us because the properties for the most part have large footprints and under-utilised space, particularly in the upper parts. They will also benefit from our intensive management style in the short-term.

All of the properties have been reviewed in detail and plans have been formulated to improve each of them. These plans range from simply more efficient management of the properties on a day-to-day basis, to extension, refurbishment and part-redevelopment.

Where we were unable to identify initiatives to improve the asset, the property was earmarked for sale. We have now completed the sale of two properties we acquired in Notting Hill, London. These comprised an antiques market and a freehold house for which the combined proceeds were £4.9m against the £3.9m that we paid for them.

As the purchase of these properties was only completed in September, the surplus achieved is encouraging.

The proceeds of this sale, as well as those of St. Helens and Dagenham, will be used in part to reduce outstanding loans while the balance will be added to our cash reserves. It is expected these will total approximately £25m.

Last year, I mentioned that our considerable development programme would impact on rental income while the developments were underway. However, I am pleased to report that we have been able to maintain net income for 2006 at £7.9m (2005 £7.9m). Our profit before tax, which under IFRS includes the revaluation of our properties, increased to £18.3m against £17.9m for 2005. Diluted earnings per share were 20.0p against 18.8p.

The Board is recommending a final dividend this year of 1.25p per share which, if approved by shareholders, will make a total of 1.85p for the year, an increase of over 7%. This will be paid on 6 July 2007 to all those shareholders on the register at the close of business on 15 June 2007.

2006 was a year of considerable progress during which we invested significantly in new and exciting properties. This was against a difficult backdrop of unprecedented demand from both local and international buyers for shopping centres and retail property.

We have also trimmed our portfolio and disposed of centres where we either saw no further growth potential or where the price on offer was higher than our predicted exit values once all our management initiatives had been carried out. For the first time our net assets are over £100m and our total property portfolio has passed the £300m mark, all achieved while carrying out the largest development programme in our history. At the same time, we have managed to maintain cash balances at record levels while carrying out all of the projects mentioned above.

I would like to thank my Board colleagues, LAP staff and advisers for all their hard work. We go into 2007 with a number of successful deals already completed this year and the financial capacity to carry out further substantial acquisitions and developments. For this reason, I look forward to the coming year with considerable confidence.

Michael Heller

Michael Heller, Chairman
27 March 2007

Windsor

King Edward Court

PRIME SHOPPING CENTRE IN THE HEART
OF WINDSOR TOWN CENTRE

“The year under review was again a period of considerable growth for the Company. Our directly owned property portfolio increased 64.8%”

Chief Executive's Report

The year under review was again a period of considerable growth for the Company. Our directly owned property portfolio was valued at £192.8m, an increase of 64.8%. This figure includes last summer's acquisition of The London Portfolio for £50.3m.

On a like for like basis the value of our wholly owned properties advanced by 13.7% to £137.3m. We calculate that approximately 60% of this capital growth can be attributed to the continuing strength of the investment market while the remainder reflects successful management initiatives carried out during the year which grew the future estimated rental income at our properties.

The acquisition of The London Portfolio was the first major acquisition that we had made for some time. It was achieved in a highly competitive market although, as evidenced by our December 2006 revaluation and two disposals from the portfolio, we believe we managed to acquire the properties at an attractive price for shareholders. This acquisition, combined with the selective disposals we have completed over the last few years, refocuses a considerable proportion of LAP's portfolio towards Central London and the South East where we believe property values have good scope for further growth in the right locations and asset classes.

This refocusing is enhanced through King Edward Court in Windsor, which we own through Analytical Properties, our joint venture with Bank of Scotland. As shareholders know, we are completing a large development there which will further increase our exposure to this area.

Disposals during the year include our other shopping centre within this joint venture, Church Square in St Helens. This was sold during the year for £75.0m having been originally acquired in 2003 for £50.0m. Net of tax, fees and other expenses, both joint venture partners to date have received £11.0m from this disposal, a strong return on the original £3.9m that each shareholder invested. There may be further returns should a number of retentions not be required.

Since the year end we have also exchanged contracts to sell The Mall, our Dagenham shopping centre, and the adjacent Post Office for a combined £18.7m. We acquired the Mall for £8.0m in 1994, undertook a minor refurbishment in 1995, and acquired the adjacent Post Office in 2004 for £550,000. At the time we put these properties under offer, they were valued at £14.9m.

We have also sold two properties from The London Portfolio where we saw limited opportunities for growth, namely a Saturday-only antiques mall and an adjacent freehold house in Notting Hill. At the time of acquisition, the antiques mall had a secondary run of shops in the basement of the house. We vacated the basement and sold the house to an owner-occupier. The combined price received for both properties was £4.9m against a value at acquisition of £3.9m.

During the year we continued to grow rental levels at all our major centres and we have contracted a net incremental £960,000 pa of rental income. This includes a single letting of £667,500 pa to River Island at Orchard Square, Sheffield. We have also maintained void levels of less than 2% excluding units held for redevelopment at all our Centres and have invested £17.2m in the centres, including at King Edward Court, to create better configured space. This has also led to enhanced returns for shareholders.

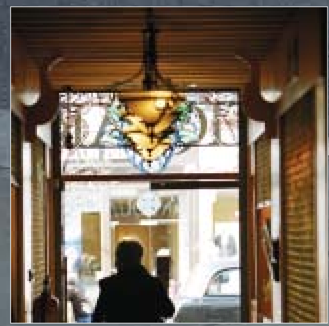
The London Portfolio

We have successfully integrated the portfolio into LAP and all the properties are now run from our head office. Rents have grown since acquisition by over 3% while the irrecoverable costs of running the properties have decreased by 15% due to the application of our intensive style of management.

The properties comprising The London Portfolio were described in detail at the half-year stage. We believe this portfolio represents a series of exciting opportunities. The properties are for the most part located in prime central London and many of the buildings have large footprints with only a single storey. Consequently, we are in the process of reviewing opportunities to expand the amount of lettable retail space as well as creating additional floors of residential or office accommodation. I look forward to updating shareholders on progress over the coming year.

At Antiquarius on the Kings Road, we expect to be able to start work soon on refurbishing a vacant residential unit. Costs are anticipated to be around £250,000 including fees, while the gross rent generated on completion is expected to be £50 – £60,000 a year.

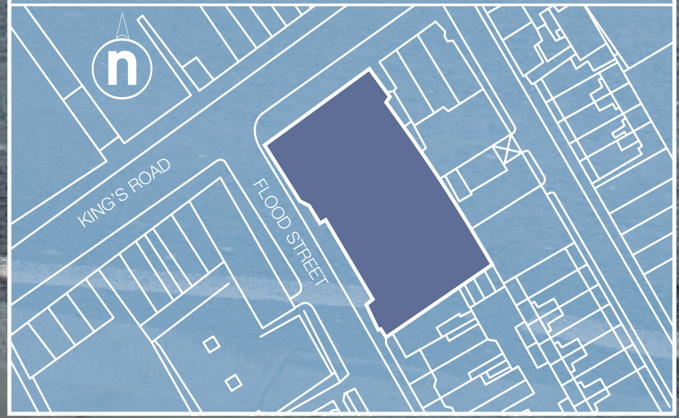
In addition we are about to commence the refurbishment of a house in Upper Street, Islington at an anticipated cost of £200,000. This house will generate a gross rent of £40 - £50,000 a year once finished. Both of these units have been vacant and in a state of disrepair for some time, notwithstanding their prime locations.



King's Road SW3

Antiquarius

A LANDMARK BUILDING SITUATED
ON LONDON'S KING'S ROAD



Orchard Square, Sheffield

The new flagship unit for River Island that we have created from two poorly configured smaller units was completed in December, ahead of schedule and on budget. River Island is currently fitting out and the unit is now producing £667,500 pa, a Zone A of over £230 per sq ft compared to £200 per sq ft previously achieved in this part of Fargate. The adjacent unit, which is let to Virgin at £200 per sq ft Zone A, is subject to a rent review this year.

Next to River Island, we have a further shop which will be marketed once the hoardings around the River Island unit are removed. We anticipate letting this unit at a rent of £80,000 pa. The total cost of this development was £2.2m and the incremental rent will be around £250,000 pa once all the space created has been let.

To the rear of the Centre we have submitted a planning application to create a 45,000 sq ft anchor unit. This will incorporate the space currently let to TK Maxx, where there is a lease expiry, and the vacant Stonehouse pub which we acquired in August 2005. We have received strong interest in this large space from retailers, and we are in advanced negotiations with a fashion operator who wishes to take the entire unit.

Elsewhere, Orchard Square is fully let apart from one small unit which is being kept vacant for redevelopment. Demand for space at the centre is the strongest it has been during our seven years of ownership and we have a number of initiatives underway to create space to accommodate some of the retailers who wish to trade from this centre.

Kings Square, West Bromwich

We have successfully introduced a number of exciting national retailers to the centre. These include Claires Accessories, Shoe Zone and BB's Muffins which has leased the vacant central mall area at £40,000 pa. Gross rents at the centre have grown by £141,000 pa as a result of these new lettings and successful rent reviews.

Saxon Square, Christchurch

We continue to pursue our planning application to develop a medium sized unit with residential upper parts to the rear of the shopping centre. We suffered a setback during the year when the Council refused planning consent for our application but we are appealing this decision. There is strong interest in the proposed unit in any case and it is already under offer to a national food retailer.

Notable deals elsewhere in the centre include the surrender of a lease at £47,500 pa to soft furnishing retailer Zoom the Loom and the re-letting of the unit to HBOS at £62,500 pa, a record rent per square foot.

King Edward Court, Windsor

The development which comprises over 100,000 sq ft of retail space and a new hotel block to include Waitrose, Zara, H&M, New Look and Travelodge is unfortunately going to cost more than previously stated. At the end of last year I reported that costs had risen to £18.2m from the £16.5m anticipated at the start of the contract. Since then a nominated specialist sub-contractor failed shortly before going on site, causing considerable delay and expense. A replacement sub-contractor was found and the work has now been completed. As a result of this delay we expect final development costs to be over £20m. We still expect the development to be profitable, and the interest shown in the rest of the Centre is strong in anticipation of the opening of the new block.

This delay means we will not be able to hand over the retail units for fitting-out by the tenants until July, against a previous target date of April. We were monitoring progress very closely when this sub-contractor failed and feel there were no extra controls that we could have applied to avoid this happening.

Marketing of the final unit in the development and the café at road level is now underway. Interest is strong and I expect to be able to announce further lettings in the near future.

The rest of the centre is trading well. There are no vacant units and we have good interest from retailers who wish to trade from the Centre now that the development is almost complete.

Following the sale of Church Square, St Helens, the two properties in Notting Hill and The Mall, Dagenham we will have unencumbered cash on deposit of £25m. Although in the last 12 months we have been unable to identify any shopping centre investments that meet our strict acquisition criteria, we were able to acquire other types of retail property. We continue to look hard at every shopping centre that comes to market and believe that the slowdown in consumer spending being experienced and the lower rental growth that this causes may well lead to a softening of the shopping centre market in which we have traditionally specialised.

We are in a strong position due to our high cash reserves and undrawn facilities to take advantage of this and we can move quickly to acquire any suitable centres that come to the market.

The year to date is going well and I remain confident of a successful 2007.

John Heller.

John Heller, Chief Executive
27 March 2007

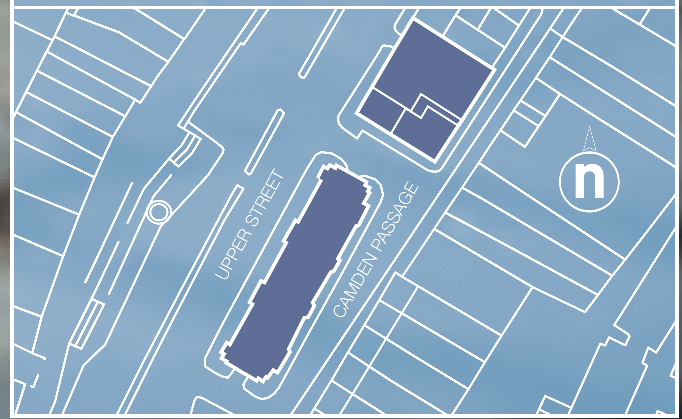
LAP Annual Report 2006

Islington

N1

The Mall and adjacent buildings

A DISTINCTIVE LANDMARK BUILDING SITUATED ON ISLINGTON'S PRIME SHOPPING STREET



Finance Director's Report

2006 was a strong year for London & Associated Properties as its cash reserves were bolstered by the proceeds from the sale of Church Square, St. Helens, and two properties in Notting Hill, London, and will be further swelled following completion of the sale of the Mall, Dagenham. In fact following the sale of the Mall, we expect to have £25m available in unencumbered cash, a record high.

We also signed a new £90m 5 year Revolving Credit Facility with the Royal Bank of Scotland in August. This replaced two facilities of £20m each. £50m of the new facility was subsequently drawn down for the purchase of The London Portfolio, taking the total drawn from this new facility to £80m.

Cash Flow

As stated we have strengthened the group's cash position over the year. The principal events that affected cash in the year were:

- The purchase of The London Portfolio for £50.3m.
- The sale of Church Square, our shopping centre in St Helens held in Analytical Properties, our joint venture with the Bank of Scotland. This has enabled the group to receive some £11.0m in cash from an investment of £3.9m three years ago;
- The sale of the two properties in Notting Hill for which we received £4.9m in total; and
- Capital investment of £3.5m from our existing cash into our property portfolio.

These events, combined with the contracted disposal of The Mall, Dagenham for £18.7m, are expected to give us cash and facilities of over £45m, leaving the group in an extremely strong position for the future.

Interest paid in 2006 was covered 1.8 times by the cash generated from continuing operations.

Income Statement

The group generated a profit before taxation of £18.3m (2005: £17.9m). This figure would have been higher but we took the decision to write off £9.3m of goodwill and costs of evaluation arising on the purchase of The London Portfolio.

The average cost of debt has fallen to 6.9% (2005: 7.3%). Interest payable (excluding the interest on obligations under finance leases) in the year increased to £5.0m (2005: £4.0m). This increase follows the funding of the acquisition of The London Portfolio.

The effective tax rate in the year was 17.0% (2005: 17.0%), although the current year's charge was £Nil (2005: £0.5m) due to the utilisation of tax losses in the group. The deferred tax charge was £3.1m (2005: £2.5m).

"London & Associated Properties is in a strong position to take advantage at short notice of any opportunities that arise."

Balance Sheet

The overall property portfolio, which includes those properties held by Analytical, Bisichi and Dragon Retail, grew by 10.0% to £301.5m.

The net assets of the group grew by 15.5% to £101.9m (2005: £88.3m). Under UK GAAP the net assets would have been £125.9m (2005: £103.5m), an increase of 21.6%. The principal reason for the increase was the revaluation of our property portfolio. Of the growth, some 60% resulted from increases in values in the general property market while the remainder was due to our management initiatives.

Fully diluted net assets per share rose by 15.3% to 133.5p per share (2005: 115.9p).

Gearing at 31 December 2006 was 86.4% (2005: 50.1%). This increase was again a result of the purchase of The London Portfolio, although gearing remains modest by property company standards.

To minimise the effect of adverse movements in interest rates, London & Associated Properties took out a hedge against interest rates to cover £40m of the revolving credit. This is in the form of a collar with a 5.5% cap and a 4.5% floor. LAP now has 57.7% of its debt at 31 December 2006 either at a fixed rate or protected.

Under IFRS our long term debenture debt is not shown at fair value. An adjustment to fair value of the debenture debt would be 4.0p per share (2005: 5.6p). It remains our policy not to repay this long term debt early. Banking debt and associated derivatives are shown in the balance sheet at fair value.

Dividends

The proposed final dividend of 1.25p, payable to shareholders on 6th July 2007, gives a total dividend for the year of 1.85p, an increase on 2005 of 7.2%. The dividend is covered 2.9 times if the revaluation surpluses are excluded and the goodwill and acquisition costs are added back.

Analytical Properties, our joint venture with the Bank of Scotland, had another strong year. Following the sale of Church Square, St Helens, it has to date been able to return some £11m in cash to shareholders.

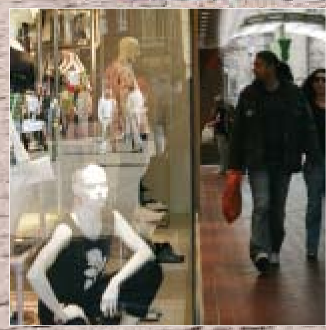
Analytical also increased its development facility with the Bank of Scotland in the year to £25.0m. This is to cover the additional building costs and delays at King Edward Court, Windsor, as outlined in the Chief Executive's Report.

Our associated company, Bisichi Mining, in which we hold a 42% stake, produced profits before tax of £2.6m (2005: £4.2m) following some difficulties at its mining operation in the first half of the year. However, the second half was the most profitable in its history.

Dragon Retail Properties, our joint venture with Bisichi, also had a good year with net assets increasing by 8.8% to £4.8m (as reported under UK GAAP). This increase was, in part, from the sale at a profit of a property in Brighton during the year.

With available cash and undrawn facilities of approximately £45m, London & Associated Properties is in a strong position to take advantage at short notice of any opportunities that arise. It remains our policy to manage the finances of the Group on a prudent basis, and I feel confident as we enter into 2007.

Robert Corry, Finance Director
27 March 2007



Sheffield

Orchard Square

PRIME SHOPPING CENTRE IN THE HEART OF SHEFFIELD

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.

† **Howard D Goldring** BSC (ECON) ACA
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 Management Limited which manages equity 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 CF FIIA
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. He is chairman of Barronsmead VCT 2 plc and a non-executive director of F&C Smaller Companies plc. He is also a member of the Council and Board of the Institute of Chartered Accountants in England and Wales. He is chairman of the audit committee.

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 UK Audit LLP

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

Solicitors
Olswang
Pinsent Mason
Charles Russell
Kuit, Steinart, Levy & Co, Manchester

Stockbrokers
Oriel Securities Limited

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

Company registration number
341829 (England and Wales)

Website
www.lap.co.uk

E-mail
admin@lap.co.uk

Directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2006.

Activities

The principal activities of the group during the year were property investment and development, as well as investment in joint ventures and an associated company. The associated company is Bisichi Mining PLC in which the company holds 42 per cent. Bisichi Mining PLC is listed on the London Stock Exchange and operates in England and South Africa with subsidiaries which are involved in overseas mining and mining finance.

Business Review

Review of the group's development and performance

The Chairman's Statement, Chief Executive's Review and Finance Director's Report on the preceding pages 4 to 17 give a comprehensive review and assessment of the group's activities during the year and its position at the year end and prospects for the forthcoming year.

Risk

Fluctuations in property values, which are reflected in the Income Statement and Balance Sheet, are dependent on the market value of UK commercial properties. During recent years surpluses have been shown in the group's annual year end property valuations. A fall or levelling off in UK commercial property would have a marked effect on the profitability and net asset value of the group. However, due to the long term nature of leases, the effect on cash flows from property investment activities should be more stable. Income may be adversely affected by the non-performance of tenants. However, the group has a diversified tenant base which should minimise the impact of the failure of any individual tenants. The group's treasury policy and associated risks are outlined in note 18 on page 44.

The associated company is involved in direct coal mining in South Africa. It's inherent risks include commodity prices, currency volatility, washing yield, geological variability, legislative and regulatory changes outside of the group's control. It actively manages these risks through, where appropriate, the negotiation of long contracts and currency hedging, regular maintenance of key equipment, active surveying and drilling of its mining assets, and complying in full with all relevant local legislation. It balances the high risk of its South African mining operations with a dependable cash flow from its UK property investment operations.

Future development

The group will expand its UK property investment activities when suitable opportunities arise. The group will also develop and improve its existing property investments. Investment properties will also be sold when suitable prices can be achieved.

Environment and employment

The group's UK activities are principally property investment whereby we provide premises which are rented to retail businesses. We seek to provide those tenants with good quality premises from which they can operate in an efficient and environmentally friendly manner. The group's policy is to attract staff and motivate employees by offering competitive terms of employment.

Performance indicators

Our success is principally measured in terms of net asset value per share and positive cash flow. The directors consider that the Key Performance Indicator of the Group is the Net Assets per Share value shown at the foot of the Balance Sheet on page 31. Cash flow is shown on page 33.

Dividends and shares

An interim dividend for 2006 of 0.6p was paid on 26 January 2007 (2005: 0.55p paid on 25 January 2006). The directors recommend the payment of a final dividend for 2006 of 1.25p per ordinary share (2005: 1.175p) making the total dividend for 2006 1.85p (2005:1.725p). The final dividend will be payable on 6 July 2007 to shareholders registered at the close of business on 15 June 2007.

The company's ordinary shares for treasury

At 31 December 2006 6,088,357 (2005: 6,188,121) shares were held in treasury with a market value of £8,006,000 (2005: £6,652,000). At the AGM in June 2006 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 2007.

Movements in Treasury shares during the year:	Transaction price	Number of shares
Treasury shares held at 1 January 2006		6,188,121
July 2006 - Issue of Treasury shares for a new HMRC approved Share Incentive Plan	108.5p	(37,120)
October 2006 - Issue of Treasury shares in connection with exercise of options under the HMRC approved share option plan	39.5p	(30,000)
October 2006 - Buy back of Treasury shares issued in connection with exercise of share options above.	132.5p	30,000
November 2006 - Issue of Treasury shares as part of a bonus to directors and staff	119.5p	(62,644)
Treasury shares held at 31 December 2006		6,088,357

Investment properties

99.99 per cent of the freehold and long leasehold properties of the company and its subsidiaries were externally revalued as at 31 December 2006 by external professional firms of chartered surveyors - Allsop LLP, London (96.94 per cent of the portfolio), and Hill Woolhouse, Leeds (3.05 per cent) and the remaining property was valued by the directors. The valuations, which are reflected in the financial statements, amount to £192.8 million (2005: £117.0 million).

The company's surplus on revaluation amounted to £21.6 million (2005: £10.1 million) and was credited to the income statement. The properties owned by the company's 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 £4.3 million (2005: £13.8 million), were credited to the income statements of these companies and the company's net share of these revaluations is included in its consolidated income statement and consolidated balance sheet.

During September 2006 the group acquired the Atlantic Properties Group which added 12 investment properties (The London Portfolio) at a cost of £50.3 million. The group has subsequently disposed of two of these properties with a book value of £3.9 million.

Financial instruments

Note 18 to the financial statements sets out the risks 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 company and in the joint venture and associated company as required by its bankers to reduce interest rate risk.

Directors

M A Heller, J A Heller, R J Corry, H D Goldring, B J O'Connell, C A Parritt and M C Stevens were the directors of the company during the whole of 2006.

L C J Brown was a director until he retired from the board following the Annual General Meeting on 28 June 2006. M A Heller, H D Goldring, and B J O'Connell are retiring by rotation at the next AGM and offer themselves for re-election. Brief details of the directors offering themselves for re-election at the Annual General Meeting are as follows:-

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

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 a director of Delmore Asset Management Limited which manages investment portfolios and provides global asset allocation advice to pension funds and private clients. The board recommends his re-appointment 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 re-appointment due to his knowledge and experience both generally and of this business.

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 31 Dec 06	Beneficial interests 1 Jan 06	Non-beneficial interests 31 Dec 06	Non-beneficial interests 1 Jan 06
M A Heller	4,871,757	4,871,757	18,520,634	18,520,364
L C J Brown	*101,378	101,378	-	-
R J Corry	251,651	218,769	-	-
H D Goldring	11,080	2,080	-	-
J A Heller	1,129,134	1,126,369	†13,520,634	13,520,634
B J O'Connell	122,960	122,960	-	-
C A Parritt	24,364	24,364	-	-
M C Stevens	434,615	419,013	+ 365,772	337,437

†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 L C J Brown is his holding from 1 January 2006 to his retirement on 28 June 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 21 and the remuneration report).

No changes in these holdings have taken place since 31 December 2006 and the date of this report.

Details of options granted to directors to subscribe for new ordinary shares of the company are shown in the Remuneration Report under "Share option schemes" on page 26.

The beneficial holdings of directors above include their interests in the Share Incentive Plan set up during 2006.

Substantial shareholdings

At 31 December 2006 M A Heller and his family had an interest in 43.1 million shares of the company, representing 56.5 per cent of the issued share capital (2005: 43.1 million shares representing 56.6 per cent). Cavendish Asset Management Limited has an interest in 2,685,200 shares representing 3.5 per cent of the issued share capital of the company. The company was not aware of any other holdings exceeding 3 per cent of the issued share capital and no changes have occured since the year end.

Statement as to disclosure of information to auditors

The directors in office on 31 December 2006 have confirmed that as far as they are aware 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). 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 insofar that non-executive directors are not appointed for fixed terms.

Principles of corporate governance

The board promotes good corporate governance in the areas of accountability and risk management as a positive contribution to business prosperity. The board endeavours to apply corporate governance principles in a sensible and pragmatic fashion having regard to the individual circumstances of the 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 four non-executive directors until 28 June 2006 when L C J Brown retired. Their details appear on page 21.

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 29. 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 has eleven regular meetings scheduled each year. Additional meetings are held for special business as required. The board is responsible for overall group strategy, approval of major capital expenditure and consideration of significant financial and operational matters.

Board 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 25 to 27.
- The audit committee comprises the non-executive directors and is chaired by C A Parritt. The audit committee report is set out on page 27.

Directors' report continued

Board and board committee meetings in 2006

The board held ten regular meetings during the year which were attended by all directors. The remuneration committee held three meetings with full attendance. The audit committee held one meeting with full attendance and the nomination committee held one meeting during the year with full attendance.

Assessment of directors' performance.

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

Independent directors

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

Delmore Asset Management Limited (Delmore) 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. H D Goldring and B J O'Connell have been directors of the company for over nine years. The criteria for independence set out on the Combined Code of Corporate Governance are not met because of H D Goldring's association with Delmore, and service on the board in excess of nine years by B J O'Connell and H D Goldring.

The board considers that the independence of B J O'Connell and H D Goldring is not impaired by their having served on the board for in excess of nine years and that H D Goldring's association with Delmore does not impair his independence. The board therefore regards both B J O'Connell and H D Goldring as being independent directors.

The independent directors regularly meet prior to board meetings to discuss corporate governance and other issues concerning the group.

Directors and officers liability insurance

The group maintains directors and officers insurance, which is reviewed annually and is considered to be adequate.

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 Institute of Chartered Accountants in England and Wales. 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 2006 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 13.8 days annual trade purchases (2005: 37.7 days).

Section 80 Directors' authority to allot shares

Section 80 Companies Act 1985 provides that the directors of the company shall not exercise any power of the company to allot relevant securities (as defined therein) unless they are authorised to do so by this section.

The directors are requesting the authority of the members at the Annual General Meeting for a section 80 authority as set out in Resolution 9. The proposed section 80 authority gives the directors authority to allot shares up to an aggregate value of £2,540,953 which represents one third of the issued ordinary share capital of the company. The proposed section 80 authority will lapse on 4 June 2012.

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 9), seek authority to allot shares for cash as if the pre-emption rights contained in Section 89(1) of the Companies Act 1985 did not apply up to a maximum of 5% of the company's issued share capital. The authority will expire at the 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). The total number of options to subscribe for new ordinary shares in the company as at 31 December 2007 was 120,000 shares representing 0.157% of the Company's issued share capital as at 31 December 2007. Such number of options to subscribe for new ordinary shares would represent approximately 1.162 % of the reduced issued share capital of the Company assuming full use of the authority to make market purchases sought under Resolution 10.

Donations

No political donations were made during the year (2005: Nil). Charitable donations amounted to £1,000 (2005: £1,500).

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. On 1 April 2007, Baker Tilly transferred their business to Baker Tilly UK Audit LLP, a limited liability partnership. Under Section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to Baker Tilly UK Audit LLP from 1 April 2007. Accordingly the audit report has been signed in the name of Baker Tilly UK Audit LLP. Baker Tilly UK Audit LLP 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 March 2007
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 2006.

The remuneration committee is a formally constituted committee of the board and is comprised entirely of independent non-executive directors. The members of the committee are B J O'Connell (chairman), H D Goldring, and C A Parritt. L C J Brown was a member of the committee until his retirement on 28 June 2006.

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			
H D Goldring	1 July 1992	Continuous	3 months
B J O'Connell	1 May 1988	Continuous	3 months
C A Parritt	1 January 2006	Continuous	3 months

The following information has been audited

Directors' Remuneration for the year ended 31 December 2006

	Salary and fees £'000	Bonus in cash £'000	Bonus in shares £'000	Other benefits £'000	**Total before pension contrib -utions £'000**	Pension contrib -utions £'000	**Total 2006 £'000**	Total before pension contrib -utions £'000	Pension contrib -utions £'000	Total 2005 £'000
Executive directors										
M A Heller*	7	250	-	43	**300**	-	**300**	48	-	48
J A Heller	300	600	3	46	**949**	32	**981**	613	24	637
R J Corry	166	63	65	25	**319**	33	**352**	273	31	304
M C Stevens	110	28	30	18	**186**	91	**277**	166	63	229
	583	941	98	132	**1,754**	156	**1,910**	1,100	118	1,218
Non-executive directors										
L C J Brown	10	-	-	-	**10**	-	**10**	21	-	21
H D Goldring*	42	-	-	3	**45**	-	**45**	31	-	31
B J O'Connell	32	-	-	2	**34**	-	**34**	23	-	23
C A Parritt	26	-	-	-	**26**	-	**26**	-	-	-
	110	-	-	5	**115**	-	**115**	75	-	75
Total remuneration for directors' service during year					**1,869**	156	**2,025**	1,175	118	1,293

*See "Directors" below and Note 21 "Related party transactions". Other benefits include the provision of car, health and other insurance and subscriptions.

Remuneration report continued

Pension schemes and incentives
Three (2005: three) directors have benefits under money purchase pension schemes. Contributions in 2006 were £156,000 (2005: £118,000) as set out in the table above. Directors are not entitled to 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 four executive directors during 2006 (2005: three).

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. The board estimates that the value of these services, if supplied to a third party, would have been £275,000 for the year. Further details of these services are set out in Note 21 “Related party transactions” of the financial statements.

H D Goldring’s company, Delmore Asset Management Limited provides financial services to the group. This is dealt with in Note 21 of the financial statements.

Share option schemes
The company has two share option schemes:

1. The “Approved Scheme” was set up in 1986 in accordance with HMRC rules to gain certain tax advantages.
2. The “Unapproved Scheme” was set up in 1998 and is not subject to HMRC terms of approval.

No director has any options under the Approved Scheme and one executive director has options to subscribe for ordinary shares under the Unapproved Scheme as follows:

		Number of share options					
	Option price	1 January 2006	Granted in 2006	Exercised in 2006	31 December 2006	Exercisable from	to
Unapproved Scheme							
M C Stevens	25.66p	50,000	-	-	50,000	8-Mar-02	7-Mar-09

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 bid market price of London & Associated Properties PLC ordinary shares at 31 December 2006 was 131.0p (2005:107.5p). During the year the share price ranged between 99.75p and 135.0p.

Share incentive plan
Following a recommendation of the remuneration committee the directors set up a HMRC approved share incentive plan (SIP) on 24 May 2006. The purpose of the plan, which is open to all eligible LAP head office based executive directors and staff is to enable them to acquire shares in the company to give them a continuing stake in the group. The SIP compromises four types of share, (1) free shares under which the company may award shares up to the value of £3,000 each year, (2) partnership shares, under which members may save up to £1,500 per annum to acquire shares, (3) matching shares through which the company may award up to two shares for each share acquired as a partnership share, and (4) dividend shares acquired from dividends paid on shares within the SIP.

1. Free shares On 25 July 2006 free shares up to the annual maximum of £3,000 per member were awarded at 108.5p per share as follows:

	Number of members	Number of shares	Value of shares £
Directors			
R J Corry	1	2,765	3,000
J A Heller	1	2,765	3,000
M C Stevens	1	2,765	3,000
Staff	15	28,325	30,733
Total at 31 December 2006	**18**	**36,620**	**39,733**

2. Partnership shares On 6 November 2006 staff were invited to complete partnership share agreements and commence saving for partnership shares over the period November 2006 to October 2007. At 31 December 2006 two directors and fifteen staff had saved a total of £23,233 towards the cost of partnership shares to be acquired in October 2007. Shares will be acquired at the prevailing market price on the day of acquisition.

3. Matching shares No matching shares had been awarded at 31 December 2006. The partnership share agreements for the year to 31 October 2007 provide for two matching shares to be awarded free of charge for each partnership share acquired in October 2007. Matching shares will usually be forfeited if a member leaves employment in the group within 5 years of their grant.

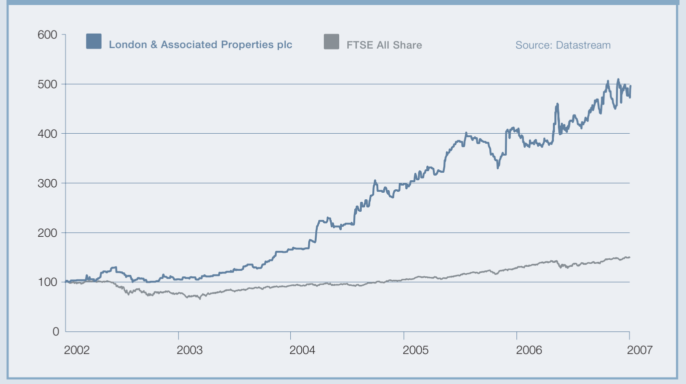
4. Dividend shares Dividends on shares acquired under the SIP will be utilised to acquire additional shares. No dividends had been paid on shares in the SIP at 31 December 2006. The SIP is set up as an employee benefit trust - The trustee is London & Associated Securities Limited, a wholly owned subsidiary of LAP, and all shares and dividends acquired under the SIP will be held by the trustee.

The following information is unaudited The board’s policy is to grant share incentives to executive directors, managers and staff at appropriate times to provide them with an interest in the longer term development of the group.

Remuneration report continued

Share option schemes continued
The 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 (2002-2006)



B J O’Connell
Chairman - Remuneration Committee

27 March 2007

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 guidelines, which are available on request from the company secretary.

The audit committee comprised the four non-executive directors:

L C J Brown, a retired chartered accountant, H D Goldring, a chartered accountant and B J O’Connell and C A Parritt, a practising chartered accountant. L C J Brown retired on 28 June 2006.

The audit committee’s prime tasks are to :
- review the scope of external audit, to receive regular reports from Baker Tilly UK Audit LLP 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 once a year 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; discuss the nature and scope of their audit work and 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.
- the external auditors and chairman of the audit committee held a seperate meeting.

External Auditors
Baker Tilly UK Audit LLP held office throughout the year. In the United Kingdom London & Associated Properties PLC provides extensive administration and accounting services to Bisichi Mining PLC, which has its own audit committee and employs PKF (UK) LLP, a separate and independent firm of registered auditors.

C A Parritt
Chairman - Audit Committee

27 March 2007

Independent Auditor's report

to the members of London & Associated Properties PLC

We have audited the group and parent company financial statements on pages 30 to 59. 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 by the European Union ("EU"), 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 whether in our opinion the information given in the Directors' Report including cross-referenced information in the Chairman's Statement and Chief Executive's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 Report and the Finance Director's Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with 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 by the European Union, of the state of the group's affairs as at 31 December 2006 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 2006;
- 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; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
16 April 2007

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") as adopted by the EU and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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 2006 by the company as detailed in our Valuation Report dated 20 March 2007.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2006 of these interests was:-

	£'000
Freehold	103,185
Leasehold	83,685
	186,870

27 Soho Square, London W1D 3AY
20 March 2007

Allsop LLP
Property Consultants

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 2006 by the company as detailed in our Valuation Report dated 12 February 2007.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2006 of these interests was:-

	£'000
Freehold	5,886

67 St Paul's Street, Leeds LS1 2TE
12 February 2007

Hill Woolhouse
Commercial Surveyors

Consolidated income statement

for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Gross rental income			
Group and share of joint ventures		11,840	12,392
Less: joint ventures - share of rental income		(3,949)	(4,525)
	1	7,891	7,867
Less: property overheads:			
Direct property expenses		(1,107)	(894)
Attributable overheads		(3,623)	(2,516)
Property overheads	1	(4,730)	(3,410)
Net rental income	1	3,161	4,457
Listed investments held for trading	3	264	169
Operating profit before adjustments		3,425	4,626
Lease surrender		-	(173)
Costs of evaluation		(1,849)	-
Goodwill impairment		(7,483)	-
London Portfolio	6	(9,332)	-
Profit on sale of subsidiary investments		52	-
Profit on sale of investment properties		-	1,230
Net gain on revaluation of investment properties		21,610	10,078
Net increase in value of investments held for trading		680	831
Operating profit after adjustments	1	16,435	16,592
Share of profit of joint ventures after tax	11	4,358	3,659
Share of profit of associate after tax	12	972	1,232
		21,765	21,483
Interest receivable	5	742	820
Interest payable	5	(4,182)	(4,408)
Profit before taxation		18,325	17,895
Income tax	7	(3,107)	(3,046)
Profit for the year		15,218	14,849
Basic earnings per share	9	20.00p	18.83p
Diluted earnings per share	9	19.97p	18.79p

Consolidated balance sheet

at 31 December 2006

	Notes	2006 £'000	2005 £'000
Non-current assets			
Value of properties attributable to group		192,788	116,971
Present value of head leases		9,340	8,582
Property	10	202,128	125,553
Plant and equipment	10	1,033	975
Investments in joint ventures	11	15,263	18,033
Investments in associated company	12	6,872	6,495
Held to maturity investments	13	1,834	3,784
		227,130	154,840
Current assets			
Trade and other receivables	14	3,849	4,608
Financial assets-investments held for trading	15	4,992	4,586
Cash and cash equivalents		14,555	6,212
		23,396	15,406
Total assets		250,526	170,246
Current liabilities			
Financial liabilities-borrowings	17	(5,693)	(2,446)
Trade and other payables	16	(11,434)	(6,724)
Current tax liabilities		-	(177)
		(17,127)	(9,347)
Non current liabilities			
Financial liabilities-borrowings	17	(99,976)	(52,494)
Present value of head leases on properties		(9,340)	(8,582)
Deferred tax	19	(22,223)	(11,482)
		(131,539)	(72,558)
Total liabilities		(148,666)	(81,905)
Net assets		101,860	88,341
Equity			
Share capital	20	8,232	8,232
Share premium account		5,236	5,228
Capital redemption reserve		47	47
Other reserves		429	429
Retained earnings (excluding treasury shares)		94,449	81,037
Treasury shares	20	(6,533)	(6,632)
Retained earnings		87,916	74,405
Total shareholders' equity		101,860	88,341
Net assets per share	9	133.62p	116.04p
Diluted net assets per share	9	133.47p	115.88p

These financial statements were approved by the board of directors and authorised for issue on 27 March 2007 and signed on its behalf by:

M A Heller
Director

M C Stevens
Director

Consolidated statement of recognised income and expense

for the year ended 31 December 2006

	2006 £'000	2005 £'000
Profit for the year	**15,218**	14,849
Currency translation in associate	**(541)**	(35)
Transitional adjustment on adoption of IAS 39	**-**	948
Deferred tax thereon	**-**	(311)
Total recognised income and expense for the year	**14,677**	15,451

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2006

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained Earnings: Treasury shares £'000	Retained Earnings: Earnings ex: treasury shares £'000	Total equity £'000
Balance at 1 January 2005	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	-	-	-	-	(35)	(35)
Dividend	-	-	-	-	(1,355)	(1,355)
Profit for year	-	-	-	-	14,849	14,849
Balance at 1 January 2006	8,232	5,228	476	(6,632)	81,037	88,341
Investment valuation in Joint Venture	-	-	-	-	24	24
Equity share options in Associate	-	-	-	-	44	44
Acquisition of own shares	-	-	-	(40)	-	(40)
Disposal of own shares	-	-	-	139	-	139
Gain/(loss) on disposal of own shares	-	8	-	-	(20)	(12)
Currency translation in associate	-	-	-	-	(541)	(541)
Dividend	-	-	-	-	(1,313)	(1,313)
Profit for year	-	-	-	-	15,218	15,218
Balance at 31 December 2006	**8,232**	**5,236**	**476**	**(6,533)**	**94,449**	**101,860**

Included within retained earnings above is the currency translation charge in relation to the associate in the year of £541,000 (2005: £35,000). The cumulative translation reserve deficit as 31 December 2006 was £517,000 (2005 surplus: £24,000).

Consolidated cash flow statement

for the year ended 31 December 2006

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Operating activities				
Operating profit after adjustments	16,435		16,592	
Depreciation	178		125	
Goodwill impairment	7,483		-	
Costs of evaluation	1,849		-	
London Portfolio	9,332		-	
Gain on disposal of non-current assets	(30)		(1)	
Profit on sale of investment properties	-		(1,230)	
Profit on sale of subsidiary investments	(52)		-	
Net gain on revaluation of investment properties	(21,610)		(10,078)	
Net increase in value of investments held for trading	(680)		(831)	
Increase in net current assets	(129)		(695)	
Cash generated from operations	3,444		3,882	
Interest paid	(4,980)		(4,360)	
Interest received	757		535	
Income tax paid	(359)		(843)	
Cash flows after interest and tax		(1,138)		(786)
Investing activities				
Repayment of investment in loan stock in joint ventures	1,950		-	
Acquisition of subsidiary investments (net of cash acquired)	(27,313)		-	
Costs of evaluation of subsidiary investments	(1,849)		-	
Sale of subsidiary investments	1,695		-	
Property acquisitions and improvements	(2,656)		(3,455)	
Sale of properties	1,453		4,726	
Purchase of office equipment and motor vehicles		(204)		(578)
Sale of office equipment and motor vehicles	61		6	
Dividends received	7,248		87	
Cash flows from investing activities		**(19,615)**		786
Financing activities				
Issue expenses	-		(1)	
Purchase of treasury shares	(40)		(6,721)	
Sale of treasury shares	127		367	
Equity dividends paid	(1,313)		(1,355)	
Cash attributable as agents	-		(2,520)	
Debt repaid on acquisition of subsidiary investments	(23,375)		-	
Drawdown of short term loan from joint venture	2,600		-	
Drawdown of medium term bank loan	47,850		2,650	
Cash flow from financing activities		**25,849**		(7,580)
Net increase/(decrease) in cash and cash equivalents		**5,096**		(7,580)
Cash and cash equivalents at beginning of year		**3,766**		11,346
Cash and cash equivalents at end of year		**8,862**		3,766

Cash and cash equivalents

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

	2006 £'000	2005 £'000
Cash and cash equivalents	14,555	6,212
Bank overdraft	(5,693)	(2,446)
Cash and cash equivalents at end of year	8,862	3,766

Group accounting policies

The following are the principal group accounting policies:

Basis of accounting

The group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union 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 27. The financial statements are prepared under the historical cost convention, except for the revaluation of freehold and leasehold properties and financial assets held for trading.

The group financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise stated.

IASB and IFRIC have issued new standards and interpretations with an effective date after the date of these financial statements. The standards and interpretations considered to be relevant by the directors are:

International Accounting Standards (IAS/IFRSs):

IFRS 7 Financial Instruments: Disclosures

IFRS 8 Operating Segments

IAS 1 Amendment - Presentation of Financial Statements: Capital Disclosures

IAS 23 Amendment - Borrowing Costs

International Financial Reporting Interpretations Committee (IFRIC):

IFRIC 8 Scope of IFRS 2

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 11 Group and Treasury Share Transactions

The directors anticipate that the adoption of these standards and interpretations will have no material impact on the group's financial statements in the period of initial application.

Upon adoption of IFRS 7, the group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to, including the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

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.

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 and net assets of its joint ventures and associate.

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, using the equity method.

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 finance lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to the 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 IAS 17. 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, are recognised in 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 expensed 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 method.

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 amortised cost using the effective interest rate method.

Investments held for trading are included in current assets 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 when the criteria set out in IAS 32 allowing the movements to be shown in equity have not been met.

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. 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 of 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. Goodwill arising from the difference in the calculation of deferred tax for accounting purposes and fair value in negotiations is judged not to be an asset and is accordingly impaired on completion of the relevant acquisition.

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 comprises short- term, highly liquid investments that are readily convertible to known amounts of cash and which 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 2006

1. Segmental analysis

Business segments

	Property 2006 £'000	Listed investments 2006 £'000	Total 2006 £'000	Property 2005 £'000	Listed investments 2005 £'000	Total 2005 £'000
Rental income	7,891	-	7,891	7,867	-	7,867
Property overheads	(4,730)	-	(4,730)	(3,410)	-	(3,410)
Net rental income	3,161	-	3,161	4,457	-	4,457
Other income	-	264	264	-	169	169
Profit on sale of subsidiary undertakings	-	52	52	-	-	-
Profit on sale of investment properties	-	-	-	1,230	-	1,230
Net gain on revaluation of investment properties	21,610	-	21,610	10,078	-	10,078
Net gain on revaluation of investments held for trading	-	680	680	-	831	831
Segment result	24,771	996	25,767	15,765	1,000	16,765
Administration costs	-	-	-	(173)	-	(173)
Costs of evaluation	(1,849)	-	(1,849)	-	-	-
Goodwill impairment	(7,483)	-	(7,483)	-	-	-
Operating profit after adjustments	15,439	996	16,435	15,592	1,000	16,592
Total assets (excluding investments in associate)	238,662	4,992	243,654	159,165	4,586	163,751
Total liabilities (excluding borrowings)	(42,997)	-	(42,997)	(26,965)	-	(26,965)
Borrowings	(105,669)	-	(105,669)	(54,940)	-	(54,940)
Net assets	89,996	4,992	94,988	77,260	4,586	81,846
Investments in associate: non segmental	-	-	6,872	-	-	6,495
Other segment items:						
Depreciation	178	-	178	125	-	125
Capital expenditure	56,128	-	56,128	4,048	-	4,048

Rental income	Company £'000	Analytical Properties £'000	Dragon Retail Properties Limited £'000	Total £'000	Group Share 2006 £'000	2005 £'000
Rental income	7,891	7,684	214	15,789	11,840	12,392
Direct property expenses	(1,107)	(876)	(23)	(2,006)	(1,556)	(1,918)
Net rental income	6,784	6,808	191	13,783	10,284	10,474
Attributable overheads	(3,623)	(953)	(32)	(4,608)	(4,116)	(2,829)
	3,161	5,855	159	9,175	6,168	7,645
Less: attributable to joint ventures					(3,007)	(3,188)
Net rental income					3,161	4,457

Geographical segments

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

Notes to the financial statements continued

2. Profit before taxation

	2006 £'000	2005 £'000
Profit before taxation is arrived at after charging:		
Depreciation on tangible fixed assets - owned assets	178	125
Operating lease rentals - land and buildings	334	334
(Profit)/loss on disposal of motor vehicles and office equipment	(30)	1
Amounts payable to the auditors in respect of both audit and non-audit services:		
Audit services-		
Statutory - company and consolidation	68	59
- subsidiaries	41	13
Further assurance services	5	12
Services related to corporate finance	330	-
Secondment of audit staff	-	24
Other services	13	-
	457	108

3. Listed investments held for trading

	2006 £'000	2005 £'000
Investment sales	699	672
Dividends receivable	259	111
	958	783
Cost of sales	(669)	(589)
	289	194
Attributable overheads	(25)	(25)
Net income from listed investments	264	169

4. Directors' Emoluments

	2006 £'000	2005 £'000
Emoluments	1,869	1,175
Defined contribution pension scheme contributions	156	118
	2,025	1,293

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

5. Finance costs

	2006 £'000	2005 £'000
Interest receivable	742	820
Interest payable -		
Interest on bank loans and overdrafts	(2,839)	(1,923)
Other loans	(2,124)	(2,106)
Interest on obligations under finance leases	36	(442)
Total borrowing costs	(4,927)	(4,471)
Amounts included in the cost of qualifying assets	745	63
	(4,182)	(4,408)
	(3,440)	(3,588)

£745,000 interest payable (2005: £63,000) has been transferred to the cost of investment properties (Note 10). 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. Exceptional items

	2006 £'000	2005 £'000
Costs of evaluation	1,849	-
Goodwill impairment	7,483	-
London Portfolio	9,332	-

The costs of evaluation represent costs incurred by the company, prior to the decision being taken that LAP Ocean Holdings Limited should acquire the whole of the issued share capital of APL Ocean Limited, the owner of the London Portfolio. Goodwill impairment arose on the acquisition of APL Ocean Limited on 22 September 2006. The goodwill primarily arose as a result of recognising deferred tax in respect of property valuations on the business combination and the goodwill was immediately written off to the income statement.

7. Income tax

	2006 £'000	2005 £'000
Current tax:		
Corporation tax on profits of the period	-	595
Adjustments in respect of previous periods	-	(71)
Total current tax	-	524
Deferred tax:		
Origination and reversal of timing differences	(2)	(6)
Revaluation of investment properties	3,141	2,294
Revaluation of investments held for trading	103	193
Accelerated capital allowances	(135)	41
Total deferred tax (note 19)	3,107	2,522
Tax on profit on ordinary activities	3,107	3,046

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 (2005: 30 per cent). The differences are explained below:

	2006	2005
Profit on ordinary activities before taxation	18,325	17,895
Taxation on ordinary activities at 30 per cent	5,498	5,368
Effects of:		
Expenses not deductible for tax purposes	4	4
Capital allowances less than/(in excess of) depreciation	37	(449)
Capital gains higher/(lower) than profit on disposal	15	(155)
Other differences	(2,028)	(184)
Joint ventures and associate	(419)	(1,467)
Adjustment in respect of prior years	-	(71)
Tax charge for the period	3,107	3,046

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.

Notes to the financial statements continued

8. Dividend

	2006 Per share	2006 £'000	2005 Per share	2005 £'000
Dividends paid during the year relating to the prior period	1.725p	1,313	1.65p	1,355
Dividends to be paid:				
Interim dividend for 2006 paid on 26 January 2007	0.60p	457	0.55p	419
Proposed final dividend for 2006	1.25p	953	1.175p	895
	1.85p	1,410	1.725p	1,314

The proposed final dividend will be payable on 6 July 2007 to shareholders registered at the close of business on 15 June 2007.

9. Earnings per share and net assets per share

Earnings per share have been calculated as follows:

	2006	2005
Profit for the year for the purposes of basic and diluted earnings per share (£'000)	15,218	14,849
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share ('000)	76,102	78,839
Basic earnings per share	20.00p	18.83p
Diluted number of shares in issue re. share options ('000)	103	182
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share ('000)	76,205	79,021
Fully diluted earnings per share	19.97p	18.79p

Net assets per share have been calculated as follows:

	Net assets		Shares in issue		Net assets per share	
	2006 £'000	2005 £'000	2006 '000	2005 '000	2006 Pence	2005 Pence
Basic						
At 31 December 2006	101,860	88,341	76,229	76,129	133.62	116.04
Dilution adjustments for shares subject to option agreements:						
Issue of outstanding share options	40	52	120	150		
Diluted	101,900	88,393	76,349	76,279	133.47	115.88

Notes to the financial statements continued

10. Property and plant and equipment

	Investment Properties Freehold £'000	Leasehold over 50 years £'000	Total £'000	Office equipment and motor vehicles £'000
Cost or valuation at 1 January 2006	56,571	68,982	125,553	1,479
Additions	4,866	266	5,132	231
Additions through business combinations	39,000	11,700	50,700	65
Present value of head lease through business combination	-	1,010	1,010	-
Disposals	(1,625)	-	(1,625)	(142)
Decrease in present value of head leases	-	(252)	(252)	-
Increase on revaluation	10,290	11,320	21,610	-
Cost or valuation at 31 December 2006	**109,102**	**93,026**	**202,128**	**1,633**
Representing assets stated at:				
Valuation	109,102	93,026	202,128	-
Cost	-	-	-	1,633
	109,102	**93,026**	**202,128**	**1,633**
Depreciation at 1 January 2006	-	-	-	504
Charge for the year	-	-	-	178
Disposals	-	-	-	(82)
Depreciation at 31 December 2006	-	-	-	600
Net book value at 1 January 2006	56,571	68,982	125,553	975
Net book value at 31 December 2006	**109,102**	**93,026**	**202,128**	**1,033**

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

Notes to the financial statements continued

10. Property and plant and equipment continued

	Investment Properties Freehold £'000	Leasehold over 50 years £'000	Total £'000	Office equipment and motor vehicles £'000
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	52,491	64,458	116,949	520
Net book value at 31 December 2005	56,571	68,982	125,553	975

99.9% of leasehold over fifty years and freehold properties, excluding the present value of head leases, were valued as at 31 December 2006 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.

	2006 £'000	2005 £'000
Allsop LLP, Chartered Surveyors	186,870	111,580
Hill Woolhouse, Chartered Surveyors	5,886	5,359
Directors' valuations	32	32
	192,788	116,971
Present value of head leases	9,340	8,582
	202,128	125,553

The historical cost of investment properties, including total capitalised interest of £869,000 (2005: £124,000) was as follows:

	2006 Freehold £'000	2006 Leasehold over 50 years £'000	2005 Freehold £'000	2005 Leasehold over 50 years £'000
Cost at 1 January	35,161	34,657	34,531	34,861
Additions (including through business combination)	43,866	11,966	3,187	277
Disposals	(1,625)	-	(2,557)	(481)
Cost at 31 December	77,402	46,623	35,161	34,657

11. Investment in joint ventures

	2006 £'000	2005 £'000
Group share of :		
Turnover	3,949	4,525
Profit before tax	4,705	4,886
Taxation	(347)	(1,227)
Profit after tax	4,358	3,659
Non-current assets	45,785	95,049
Current assets	8,246	3,087
Current liabilities	(4,105)	(2,682)
Non current liabilities	(34,663)	(77,421)
Net assets	15,263	18,033

Notes to the financial statements continued

11. Investment in joint ventures continued

Analytical Properties Holdings Limited (Analytical) - 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. Analytical is incorporated and operates in England and Wales and has issued share capital of 7,558,000 ordinary shares of £1 each (2005: 7,558,000 ordinary shares of £1 each). Analytical is managed by a board of directors with neither party having overall control.

Dragon Retail Properties Limited (Dragon) - 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. Dragon is incorporated and operates in England and Wales and has issued share capital of 500,000 ordinary shares of £1 each (2005: 500,000 ordinary shares of £1 each). Dragon is managed by a board of directors with neither party having overall control.

Shares in joint ventures:

	2006 £'000	2005 £'000
At 1 January	18,033	14,560
Share of profit after tax	4,358	3,659
Dividend received	(7,152)	-
Investment valuation	24	-
Financial liabilities	-	(186)
	(2,770)	3,473
At 31 December	15,263	18,033

12. Investments in associated company

	2006 £'000	2005 £'000
Bisichi Mining PLC - listed mining and property investment company		
Group share of :		
Turnover	5,518	5,621
Profit before tax	1,176	1,518
Taxation	(204)	(286)
Profit after tax	972	1,232
Non-current assets	10,876	10,239
Current assets	2,559	2,440
Current liabilities	(3,845)	(2,878)
Non current liabilities	(2,718)	(3,306)
Net assets	6,872	6,495

Shares in associate:

	2006 £'000	2005 £'000
At 1 January	6,495	5,294
Share of profit after tax	972	1,232
Equity share options	44	-
Currency translation	(541)	(35)
Dividend received	(98)	(87)
Financial assets	-	91
	377	1,201
At 31 December	6,872	6,495

The company owns 42 per cent (2005: 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). Bisichi is an associated undertaking by virtue that London & Associated Properties PLC has a significant influence. Bisichi has an independent board of directors which controls its operating and financial policies.

The market (bid) value of this investment at 31 December 2006 was £10,563,000 (2005: £10,771,000).

Notes to the financial statements continued

13. Held to maturity investments

	2006 Total £'000	2006 Unlisted shares £'000	2006 Loan Stock in joint Ventures £'000	2005 Total £'000	2005 Unlisted shares £'000	2005 Loan Stock in joint Ventures £'000
Cost						
At 1 January	3,784	5	3,779	3,784	5	3,779
Loan stock repaid	(1,950)	-	(1,950)	-	-	-
At 31 December	1,834	5	1,829	3,784	5	3,779

14. Trade and other receivables

	2006 £'000	2005 £'000
Rents receivable	1,127	252
Amounts due from associate and joint ventures	1,280	1,051
Other debtors	795	1,442
Prepayments and accrued income	647	1,863
	3,849	4,608

15. Investments held for trading

	2006 £'000	2005 £'000
Market bid value of the listed investment portfolio	4,992	4,586
Unrealised excess of market value over cost	2,019	1,679
Listed investment portfolio at cost	2,973	2,907

All investments are listed on the London Stock Exchange.

16. Trade and other payables

	2006 £'000	2005 £'000
Amounts owed to joint ventures	3,550	950
Other taxation and social security costs	471	569
Other creditors	1,462	980
Accruals and deferred income	5,951	4,225
	11,434	6,724

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

Notes to the financial statements continued

17. Borrowings

Current borrowings - amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdrafts (unsecured)	5,693	2,446

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

	2006 £'000	2005 £'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*	9,736	9,719
	21,436	21,419
Term bank loans:		
Bank loans*	78,540	31,075
	99,976	52,494

*The £10 million debenture and bank loans are 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 £90 million bank revolving credit facility was negotiated in August 2006 and is repayable in September 2011. This facility is secured on specific freehold and long leasehold properties which are included in the financial statements at a value of £122.5m.

18. Financial instruments

Treasury policy
The group enters into derivative transactions such as interest rate swaps and forward exchange contracts 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.

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

Borrowing facilities
At 31 December 2006 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 17 and 18.

Hedge profile
There is a hedge to cover part of the April 2011 bank loan. It consists of a 6%/4% collar for £4 million, expiring in September 2007, a 5.5% cap for £4 million, expiring in September 2008 and a 5.5%/4.5% collar for £32 million, increasing to £36 million in November 2007 and increasing to £40 million in November 2008, which expires in November 2011.

Notes to the financial statements continued

18. Financial instruments continued

Financial assets

Financial assets are disclosed in notes 14 and 15 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.

Financial assets maturity	2006 £'000	2005 £'000
Cash at bank and in hand	14,555	6,212

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

	2006	2005
Repayment of borrowings:		
Bank loans and overdrafts:		
Repayable on demand or within one year	5,693	2,446
Repayable between three and five years	-	20,000
Repayable after more than five years	78,540	11,075
	84,233	33,521
Debentures:		
Repayable in more than five years	21,436	21,419
	105,669	54,940
Group undrawn banking facilities, which expire within one year	1,557	4,804

Interest rate risk and hedge profile

		2006	2005
Fixed rate borrowings		21,700	21,700
Floating rate borrowings	- subject to interest rate collar	36,000	4,000
	- subject to interest rate cap	4,000	4,000
	- not hedged	44,233	25,521
		105,933	55,221
Average fixed rate		9.69%	9.69%
Average period for which borrowing is fixed		12.5 years	13.5 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 6.87% (2005: 7.25%).

Notes to the financial statements continued

18. Financial instruments continued

Fair values

Fair value of the group's debenture liabilities:

	Book Value £'000	Fair Value £'000	2006 Fair Value adjustment £'000	2005 Fair Value adjustment £'000
Debenture stock	21,700	26,119	(4,419)	(6,374)
Tax at 30 per cent (2005: 30 per cent)			1,326	1,912
Post tax fair value adjustment			(3,093)	(4,462)
Post tax fair value adjustment - basic pence per share			(4.06p)	(5.86p)

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 2006. 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.

19. Deferred tax

	2006 £'000	2005 £'000
Balance at 1 January	11,482	8,960
Deferred tax on acquisition of The London Portfolio	7,634	-
Charged to profit and loss account	3,107	2,522
Balance at 31 December	22,223	11,482

	2006 £'000	2005 £'000
The deferred tax balance comprises the following:		
Revaluation of investment properties	22,198	9,578
Revaluation of investments held for trading	607	504
Accelerated capital allowances	1,573	1,372
Short-term timing differences	26	28
	24,404	11,482
Loss relief	(2,181)	-
Provision at end of period	22,223	11,482

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

Notes to the financial statements continued

20. Share capital

	Number of ordinary 10p shares 2006	2005	2006 £'000	2005 £'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)	(6,088,357)	(6,188,121)	(609)	(619)
Issued share capital for reporting purposes	76,228,615	76,128,851	7,623	7,613

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 2006	2005	Cost/issue value 2006 £'000	2005 £'000
Shares held in Treasury at 1 January			6,188,121	750,000	6,632	581
Buy back under Tender Offer (June 05: 104p)			-	5,928,273	-	6,404
Issued to meet share options exercised (June 05)	Oct-06		(30,000)	(590,800)	(32)	(457)
Purchase at market value	Oct-06	132.5p	30,000	-	40	-
Market purchases (Aug 05: at 105.5p)			-	300,000	-	319
Issued for new share incentive plan	Jul-06	108.5p	(37,120)	-	(40)	-
Issued to meet directors and staff bonuses (Dec 05: 108.5p)	Nov-06	119.5p	(62,644)	(199,352)	(67)	(215)
Shares held in Treasury at 31 December			6,088,357	6,188,121	6,533	6,632

Share Option Schemes
Employees' share option scheme (Approved Scheme)

At 31 December 2006 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the Employees' Share Option Scheme:

Number of Shares	Date of Grant	Option Price	Normal Exercise Date
70,000	14 October 2003	39.5p	14 October 2006 to 13 October 2013

This share option scheme was approved by members in 1986, and has been approved by Her Majesty's Revenue and Customs (HMRC). 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.

A summary of the shares allocated and options issued under the scheme up to 31 December 2006 is as follows:

	At 1 January 2006	Changes during year: Options exercised	Options granted	Options lapsed	At 31 December 2006
Shares issued to date	2,337,604	-	-	-	2,337,604
Options granted	100,000	(30,000)	-	-	70,000
Shares allocated over which options have not been granted	1,549,955	-	-	-	1,549,955
Total shares allocated for issue to employees under the scheme	3,987,559	(30,000)	-	-	3,957,559

The consideration for the 30,000 options exercised with a nominal value of 10 pence each was £11,700.

Notes to the financial statements continued

20. Share capital continued

Non-approved Executive Share Option Scheme (Unapproved Scheme)

A share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have HMRC approval was set up during 2000. At 31 December 2006 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the scheme:

Number of Shares	Date of Grant	Option Price	Normal Exercise Date
50,000	8 March 1999	25.66p	8 March 2002-7 March 2009

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.

A summary of the shares allocated and options issued under the scheme up to 31 December 2006 is as follows:

	At 1 January 2006	Changes during year Options exercised	Options granted	Options lapsed	At 31 December 2006
Shares issued to date	400,000	-	-	-	400,000
Options granted which have not been exercised	50,000	-	-	-	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

21. 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	264	i)	-	-
Current account	615	ii)	(1,033)	(3,900)
Dragon Retail Properties Limited				
Current account	-		57	-
Loan account	-		(1,600)	(650)
Bisichi Mining PLC				
Current account	283	ii)	331	-
Directors and key management				
M A Heller and J A Heller	21	iii)	-	-
H D Goldring (Delmore Asset Management Limited)	(24)	iv)	-	-
Totals at 31 December 2006	**1,159**		**(2,245)**	**(4,550)**
Totals at 31 December 2005	1,063		101	2,520

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 non current asset investments - details are shown in Notes 11 and 12.

Notes to the financial statements continued

21. 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.

Dragon had surplus cash which was deposited equally with London & Associated Properties PLC and Bisichi Mining PLC. The deposit is currently interest free.

The company provides office premises, property management, general management, accounting and administration services for both joint ventures.

Bisichi Mining PLC (associate)

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

Directors

London & Associated Properties PLC provides office premises, property management, general management, accounting and administration services for a number of private property companies in which M A Heller and J A Heller have an interest. Under an agreement with M A Heller no charge is made for these services on the basis that he reduces by an equivalent amount the charge for his services to London & Associated Properties PLC. The board estimates that the value of these services, if supplied to a third party, would have been £275,000 for the year (2005: £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 £52,063 (2005: £51,928) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust and the above companies.

Delmore Asset Management 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 received a salary of £75,000 (2005: £75,000) for his services.

The directors are considered to be the only key management personnel; all other disclosures required in respect of those directors are included within the remuneration report.

22. Employees

The average number of employees, including directors, of the group during the year involved in management and administration was 47 (2005: 38).

	2006 £'000	2005 £'000
Staff costs during the year were as follows:		
Salaries and other costs	2,727	1,703
Social security costs	348	262
Pension costs	298	209
	3,373	2,174

Notes to the financial statements continued

23. Capital commitments

	2006 £'000	2005 £'000
Commitments to capital expenditure contracted for at the year end	-	2,030

The group's share of capital commitments of joint ventures at the year end amounted to £8.3 million (2005: £8 million).

24. Acquisition of APL Ocean Limited

The Group acquired 100% of the issued share capital of APL Ocean Limited for a consideration of £28.1m, including direct costs, during the year. This has been accounted for as a business combination.

	£'000
Purchase consideration:	
Cash paid	51,308
Less: Loans repaid	(23,375)
Add: Direct costs relating to the acquisition	157
Total net cost of acquisition	**28,090**
Fair value of net assets acquired	**(20,607)**
Goodwill (note 6)	**7,483**

Net assets at fair value:	Book value at acquisition £'000	Fair value adjustments £'000	Fair value of acquisition £'000
Investment properties	50,277	423	50,700
Intangible assets	72	(72)	-
Other fixed assets	65	-	65
Cash and cash equivalents	777	-	777
Debtors	1,607	(7)	1,600
Current liabilities	(1,525)	-	(1,525)
Assumed Debt	(23,375)	-	(23,375)
Deferred tax	-	(7,635)	(7,635)
	27,898	**(7,291)**	**20,607**

The results of APL Ocean Limited from the date of acquisition (22 September 2006) to 31 December 2006 are set out below:

	Results for APL Ocean Limited from 22 September 2006 to 31 December 2006 £'000	Results for the Group excluding APL Ocean Limited for the year ended 31 December 2006 £'000	Results for the Group for the year ended 31 December 2006 £'000
Revenue	903	6,988	7,891
Profit before tax	6,526	11,799	18,325
Taxation	(1,447)	(1,660)	(3,107)
Profit after tax	5,079	10,139	15,218

There were no recognised gains or losses in the year other than the profit attributable to shareholders.

Notes to the financial statements continued

25. Commitments under operating leases

Operating leases
At 31 December 2006 the group and the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2006 £'000	2005 £'000
Expiring in more than five years	334	334

Operating lease payments represent rental payable by the group for its office premises. The leases are for an average term of 9 years and rentals are fixed for an average of one year.

Present value of head leases on properties	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases:	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Within one year	478	438	478	438
In the second to fifth years inclusive	1,912	1,750	1,804	1,651
After five years	45,438	43,633	7,058	6,493
	47,828	45,821	9,340	8,582
Present value of finance lease liabilities	(38,488)	(37,239)	-	-
	9,340	8,582	9,340	8,582

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 rental income.
Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

26. Contingent liabilities

There were no contingent liabilities at 31 December 2006 (2005: nil).

Notes to the financial statements continued

27. Company financial statements

Company balance sheet at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	27(3)	138,294	117,946
Other investments			
Associated company	27(4)	358	358
Other	27(4)	30,786	7,736
		31,144	8,094
		169,438	126,040
Current assets			
Debtors	27(5)	30,020	4,608
Investments	27(6)	4,992	4,586
Bank balances		13,510	6,212
		48,522	15,406
Creditors			
Amounts falling due within one year	27(7)	(18,239)	(9,361)
Net current assets		30,283	6,045
Total assets less current liabilities		199,721	132,085
Creditors			
Amounts falling due after more than one year	27(8)	(99,976)	(52,494)
Provisions for liabilities and charges	27(9)	(2,053)	(1,904)
Net assets		97,692	77,687
Capital and reserves			
Share capital	27(10)	8,232	8,232
Share premium account	27(11)	5,236	5,228
Capital redemption reserve	27(11)	47	47
Revaluation reserve	27(11)	62,510	47,116
Treasury Shares	27(10)	(6,533)	(6,632)
Retained earnings	27(11)	28,200	23,696
Shareholders' funds		97,692	77,687

These financial statements were approved by the board of directors and authorised for issue on 27 March 2007 and signed on its behalf by:

M A Heller
Director

M C Stevens
Director

Notes to the financial statements continued

27(1). Company accounting policies

The following are the main accounting policies of the company:

Basis of accounting

The financial statements are 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.

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 27(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 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 percent per annum, on the straight line basis.

Investments

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

a) Investments held as fixed assets

These comprise investments in 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.

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.

Notes to the financial statements continued

27(2). Profit for the financial year

The company's profit for the year was £5,837,000 (2005: £2,605,000).

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.

27(3). Tangible assets

	Total £'000	Investment Properties Freehold £'000	Investment Properties Long leasehold £'000	Office equipment and motor vehicles £'000
Cost or valuation at 1 January 2006	118,450	56,571	60,400	1,479
Additions	5,178	4,692	256	230
Disposals	(122)	-	-	(122)
Increase on revaluation	15,394	5,365	10,029	-
Cost or valuation at 31 December 2006	**138,900**	**66,628**	**70,685**	**1,587**
Representing assets stated at:				
Valuation	137,313	66,628	70,685	-
Cost	1,587	-	-	1,587
	138,900	**66,628**	**70,685**	**1,587**
Depreciation at 1 January 2006	504	-	-	504
Charge for the year	170	-	-	170
Disposals	(68)	-	-	(68)
Depreciation at 31 December 2006	**606**	**-**	**-**	**606**
Net book value at 1 January 2006	117,946	56,571	60,400	975
Net book value at 31 December 2006	**138,294**	**66,628**	**70,685**	**981**

99.9% of freehold and long leasehold properties were valued as at 31 December 2006 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.

	2006 £'000	2005 £'000
Allsop LLP, Chartered Surveyors	**131,395**	111,580
Hill Woolhouse, Chartered Surveyors	**5,886**	5,359
Directors' valuations	**32**	32
	137,313	116,971

Notes to the financial statements continued

27(3). Tangible assets continued

The historical cost of investment properties, including total capitalised interest of £869,000 (2005: £124,000) was as follows:

	Freehold £'000	Long Leasehold £'000
Cost at 1 January 2006	35,161	34,657
Additions	4,692	255
Cost at 31 December 2006	**39,853**	**34,912**

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

27(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 2006	8,094	9	3,943	3,779	358	5
Additions	25,000	25,000	-	-	-	-
Loan stock repaid	(1,950)	-	-	(1,950)	-	-
At 31 December 2006	**31,144**	**25,009**	**3,943**	**1,829**	**358**	**5**

Subsidiary companies

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

	Activity
Analytical Investments Limited	Dormant
London & African Investments Limited	Dormant
London & Associated Securities Limited	Dormant
London & Associated Limited	Dormant
LAP Ocean Holdings Limited	Property investment
APL Ocean Limited	Property investment
Atlantic Properties Limited	Property investment
Antiquarius Limited	Property investment
Atlantic Antiques Centres Limited	Property letting
Atlantic Speciality Retail Limited	Property investment
Atlantic Management Limited	Property investment
Atlantic Venture Investments Limited	Property investment
Ski Investments Limited	Property investment
Atlantic Estates (London) Limited	Property investment

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 Notes 11 and 12.

Notes to the financial statements continued

27(5). Debtors

	2006 £'000	2005 £'000
Trade debtors	661	252
Amounts due from subsidiary companies	27,171	-
Amounts due from associate and joint ventures	1,280	1,051
Corporation tax	190	-
Other debtors	211	1,442
Prepayments and accrued income	507	1,863
	30,020	4,608

27(6). Investments

	2006 £'000	2005 £'000
Market value of the listed investment portfolio	4,992	4,586
Unrealised excess of market value over cost	2,019	1,679
Listed investment portfolio at cost	2,973	2,907

All investments are listed on the London Stock Exchange.

27(7). Creditors: Amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdrafts (unsecured)	5,692	2,446
Amounts owed to subsidiary companies	2,451	14
Amounts owed to joint ventures	3,550	950
Corporation tax	-	177
Other taxation and social security costs	451	569
Other creditors	772	980
Accruals and deferred income	5,323	4,225
	18,239	9,361

Notes to the financial statements continued

27(8). Creditors: Amounts falling due after more than one year

	2006 £'000	2005 £'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*	9,736	9,719
	21,436	21,419
Term bank loans:		
Repayable after more than two years*	78,540	31,075
	99,976	52,494

*The £10 million debenture and bank loans are shown after deduction of un-amortised issue costs.
Details of terms and security of overdrafts, loans and debentures are set out in note 17.

	2006 £'000	2005 £'000
Repayment of borrowings		
Bank loans and overdrafts:		
Repayable within one year	5,692	2,446
Repayable between three and five years	-	20,000
Repayable after more than five years	78,540	11,075
	84,232	33,521
Debentures:		
Repayable in more than five years	21,436	21,419
	105,668	54,940

Details of financial instruments are set out in note 18.

Notes to the financial statements continued

27(9). Provisions for liabilities and charges

	2006 £'000	2005 £'000
Deferred Taxation		
Balance at 1 January	1,904	1,365
Revaluation of investments held for trading	-	311
Restated balance at 1 January	1,904	1,676
Transfer to profit and loss account	149	228
Balance at 31 December	2,053	1,904

No provision has been made for the approximate taxation liability at 30 per cent (2005: 30 per cent) of £13,270,000 (2005: £9,578,000) which would arise if the investment properties were sold at the stated valuation.

	2006 £'000	2005 £'000
The deferred tax balance comprises the following:		
Accelerated capital allowances	1,420	1,372
Revaluation of investments held for trading	607	504
Short-term timing differences	26	28
Provision at end of period	2,053	1,904

27(10). Share capital

Details of share capital, treasury shares and share options are set out in note 20.

27(11). Reserves

	Share Premium Account £'000	Capital redemption reserve £'000	Re-valuation reserve £'000	Retained earnings £'000
Balance at 1 January 2006	5,228	47	47,116	23,696
Surplus on valuation of investment properties	-	-	15,394	-
Retained profit for year	-	-	-	5,837
Dividends paid in year	-	-	-	(1,313)
Gain/(loss) on disposal of treasury shares	8	-	-	(20)
Balance at 31 December 2006	5,236	47	62,510	28,200

Notes to the financial statements continued

27(12). Related party transactions

Details of related party transactions are given in note 21.

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.

27(13). Capital commitments

	2006 £'000	2005 £'000
Commitments to capital expenditure contracted for at the year end	-	2,030

27(14). Commitments under operating leases

At 31 December 2006 the group and the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2006 £'000	2005 £'000
Expiring in more than five years	334	334

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £425,000 (2005: £441,000), the leases on which expire in more than fifty years.

27(15). Contingent liabilities

There were no contingent liabilities at 31 December 2006 (2005: nil).

Five year financial summary

	IFRS 2006 £m	IFRS 2005 £m	IFRS Restated 2004 £m	UK GAAP 2003 £m	UK GAAP 2002 £m
Portfolio size					
Investment properties-group ^	193	117	108	94	96
Investment properties-joint ventures	91	140	127	111	53
Investment properties-associate	17	15	15	13	11
	301	272	250	218	160
Portfolio activity	£m	£m	£m	£m	£m
Acquisitions	50.70	2.72	8.38	51.59	50.95
Disposals	(1.62)	(6.70)	(5.05)	(16.82)	(6.15)
Capital expenditure	5.13	3.34	2.16	52.14	1.29
	54.21	(0.64)	5.49	86.91	46.09
Consolidated income statement	£m	£m	£m	£m	£m
Rental income - group and share of joint ventures	11.84	12.39	12.96	11.36	8.34
Less: attributable to joint venture partners	(3.95)	(4.52)	(5.20)	(3.47)	(0.32)
Group rental income	7.89	7.87	7.76	7.89	8.02
Profit before interest and tax	21.76	21.48	21.98	8.13	6.06
Profit before tax	18.32	17.89	18.62	2.80	2.45
Taxation	3.11	3.04	2.00	0.40	0.61
Profit attributable to shareholders	15.22	14.85	16.62	2.40	1.84
Earnings per share - basic	20.00p	18.83p	20.34p	2.98p	2.32p
Earnings per share - fully diluted	19.97p	18.79p	20.23p	2.97p	2.30p
Dividend per share	1.85p	1.725p	1.65p	1.525p	1.425p
Consolidated balance sheet	£m	£m	£m	£m	£m
Shareholders funds	101.86	88.34	80.60	71.89	54.03
Adjustment of current asset investments to market value	-	-	-	0.87	0.19
Consolidated net assets*	101.86	88.34	80.60	72.76	54.22
Net borrowings*	86.12	44.14	34.33	30.82	43.05
Net gearing*	84.55%	49.97%	42.59%	42.36%	79.40%
Net assets per share* - basic	133.62p	116.04p	98.82p	89.39p	67.69p
- fully diluted+	133.47p	115.88p	98.14p	88.58p	66.98p
Consolidated cash flow statement	£m	£m	£m	£m	£m
Net cash inflow from operating activities	3.44	3.88	2.60	9.64	4.26
Capital investment and financial investment	(26.86)	0.69	(5.36)	8.52	1.22

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your ordinary shares in London & Associated Properties Plc please forward this document, together with the accompanying Form of Proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

NOTICE is hereby given that the Sixty Seventh Annual General Meeting of London & Associated Properties PLC will be held at the RAC Club, 89 Pall Mall, London SW1Y 5HS on Tuesday 5 June 2007 at 10.30 a.m. for the transaction of the following business:

1 To receive and adopt the company's annual accounts for the year ended 31 December 2006 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 2006. **(Resolution 2)**

3 To declare and approve a final dividend of 1.25p per share. **(Resolution 3)**

4 To re-elect as a director Mr M A Heller. **(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 reappoint Baker Tilly UK Audit LLP as auditors, to hold office from the conclusion of this meeting to the conclusion of the next annual general meeting. **(Resolution 7)**

8 To authorise the directors to determine the remuneration of the auditors. **(Resolution 8)**

To consider and, if thought fit, pass the following resolutions, of which resolution 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions:

9 That:

9.1 the directors be generally and unconditionally authorised under section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £2,540,953; To consider and, if thought fit, pass the following resolutions each of which will be proposed as a Special Resolution:

9.2 this authority shall expire (unless previously revoked by the company) on 4 June 2012;

9.3 the company may make an offer or agreement before this authority expires which would or might require relevant securities to be allotted after it has expired and the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding that this authority has expired; and

9.4 all previous authorities to allot relevant securities, to the extent unused, be revoked. **(Resolution 9)**

10 That:

10.1 subject to the passing of resolution 9, 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 the authority conferred by resolution 9 as if section 89(1) of the Act did not apply to any such allotment;

10.2 this power shall be limited to:
(a)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) on the register on a date fixed by the directors 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 appropriate;

(b)the allotment (otherwise than pursuant to paragraph 10.2(a) of this resolution) of equity securities having, in the case of relevant shares (as defined for the purposes of section 89 of the Act) a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into 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);

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 "under the authority conferred by resolution 9" 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. **(Resolution 10)**

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 2008 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 March 2007

By order of the board

Michael Stevens
Secretary

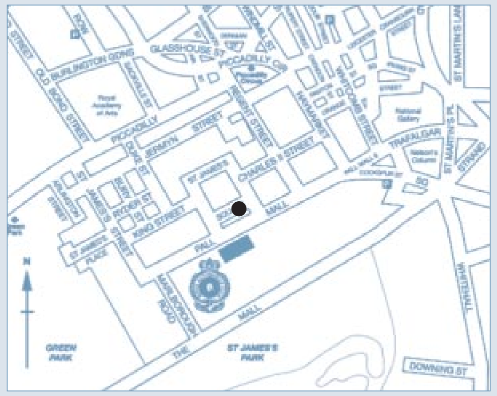
Notes:

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.

www.lap.co.uk

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 Tuesday 5 June 2007 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			
1	To receive and adopt the company's annual accounts for the year ended 31 December 2006 together with the reports therein			
2	To approve the remuneration report for the year ended 31 December 2006			
3	To declare and approve a final dividend of 1.25p per share			
4	To re-elect as a director Mr M A Heller			
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 reappoint Baker Tilly UK Audit LLP as auditors			
8	To authorise the directors to determine the remuneration of the auditors			
9	An ordinary resolution to authorise the directors to allot securities			
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 2007 (Signature)

Second Fold

BUSINESS REPLY SERVICE
Licence No MB 122

2

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

Third Fold

Tuck inside facing flap

First Fold