LAP

London & Associated Properties PLC
Annual report & accounts 2007

king edward court, windsor

Officially opened by HM The Queen
on 29 February 2008

contents

Annual General Meeting
Wednesday 11 June 2008

Payment of final dividend for 2007
4 July 2008

Announcement of half year
results to 30 June 2008
late August 2008

Announcement of
annual results for 2008
late March 2009

Our property portfolio was valued at 31st December 2007 at £248.1m against £192.8m in 2006.

financial highlights

Fully diluted net assets per share

116.7p

down **12.5%**

Dividend per share

1.95p

up **5.4%**

1.30p final dividend recommended

Overall portfolio now stands at

£266.2m

down **11.7%**

Including properties owned in joint venture and associate

Fully diluted net assets per share (p)

03	89
04	98
05	116
06	133
07	117

Dividend per share (p)

03	1.53
04	1.65
05	1.725
06	1.85
07	1.95

Overall property portfolio (£m)

03	218
04	250
05	272
06	301
07	266

Pre-tax loss

£23.9m

Cash and facilities

£37.5m

Disposals of properties

£44.6m

the mall and adjacent buildings,
islington, london n1

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

2007 was a dramatic year for property investors.

During the first half capital values rose to record highs but then receded quickly in the second half and into 2008.

chairman's statement

LAP's retail portfolio was not immune from this general market shift, but any reductions in our capital values have been considerably cushioned by well-timed disposals of some £44.6m of mature property during 2007 at a profit of £2.3m over 2006 book values. Indeed, we have continued to make selective disposals at attractive levels even in the current difficult market.

In March 2008, we contracted to sell Chenil House, Kings Road for £15.0m, although this figure may be higher depending on the final planning consent secured by the purchaser. This sale compares well to the year end book value of £13.5m. We also completed in March the sale of some shops and adjoining land in Bradford for £1.5m compared to a book value of £0.8m. This means that over the last two years, we have disposed, or contracted to dispose, of some £137.8m of properties that no longer fit our investment criteria.

OUR PERFORMANCE IN 2007 WAS SATISFYING IN THE ECONOMIC CIRCUMSTANCES AND I WOULD LIKE TO THANK MY BOARD COLLEAGUES, STAFF AND ADVISERS FOR ALL THEIR HARD WORK

We have at the same time generated high cash balances and maintained significant bank facilities in anticipation of the current change to market sentiment. We have also benefited from increased exposure to property in Central London and in the prosperous parts of the South East. At the end of 2007, some 59% of our properties were in this geographical area of the UK. Since last Autumn, prices outside the South East have fallen to attractive levels once again and we are now carefully building up our portfolio there.

Over the last few months, we have acquired two prime blocks of retail property. These were secured at attractive prices from vendors wishing to raise cash quickly. In December we purchased 119/121 High Street and 2/8 Mill Lane, Solihull for £13.7m, reflecting a net initial yield of 5.4%, and in January we bought a 53,000 sq.ft. Primark store in Chesterfield for £8.7m, a net initial yield of 5.7%. Both of these properties are reversionary, and are outlined in more detail in the Chief Executive's review. Both were acquired for cash, although they have subsequently been refinanced from our existing bank facilities. These purchases were achievable because our strategy of maintaining high cash balances enabled us to move quickly on both occasions.

Our property portfolio was valued at 31st December 2007 at £248.0m against £192.8m in 2006. This includes for the first time full ownership of King Edward Court, Windsor following our acquisition in September 2007 of the outstanding 50% owned by our joint venture partner, Bank of Scotland. On a like-for-like basis, the value of LAP's property portfolio was 8.6% lower than the previous year. As a result, our diluted net assets per share have decreased by 12.5% to 116.7p against 133.5p. Total assets under management, including those of Bisichi Mining PLC, our listed associate, and Dragon Retail Properties, a joint venture with Bisichi, now stand at £341.6m. As stated, this is a satisfactory performance at a time when the property market is in a state of flux.

Under IFRS we made a loss before tax of £23.9m in 2007. However, this figure reflects £25.2m lower property valuation. Diluted loss per share under IFRS is 16.40p against diluted earnings of 19.97p in 2006.

Retailer demand for our units remains strong, and we have just 2.2% of our units vacant excluding those deliberately vacated for development. This also reflects the quality of our portfolio.

Our financing is strong and we have fully hedged our bank loans. This has enabled us to pursue further investment opportunities. We also have credit committee approval from a high street bank for a new £74m joint venture which will increase our capacity to take advantage of these opportunities. Our agents, and direct vendors, are presenting us with numerous available properties and we expect to be able to make further announcements in due course.

We have made good progress in managing our existing portfolio. There is a significant development underway at Orchard Square, Sheffield. We are also finalising applications to commence developments at Antiquarius in the Kings Road, London and The Mall, Islington which we wish to convert to a single shop by carrying out some minor works to the building. All of these projects have pre-lets in place to recognised retailers, and again are more fully described in the Chief Executive's review. In total we will spend some £7.5m on these projects while we anticipate receiving some £700,000 in net incremental rent as well as improving the quality of the income and tenant mix.

RETAILER DEMAND FOR OUR UNITS REMAINS STRONG, AND WE HAVE JUST 2.2% OF OUR UNITS VACANT EXCLUDING THOSE DELIBERATELY VACATED FOR DEVELOPMENT. THIS ALSO REFLECTS THE QUALITY OF OUR PORTFOLIO.

In 2007, our rental income rose from £7.9m to £13.0m. This increase reflects a full year's contribution from the Atlantic Group of Companies, since renamed LAP Ocean Holdings, and a full contribution from King Edward Court, Windsor in the last quarter.

The Board is recommending a final dividend of 1.3p per share which, if approved by shareholders, will make a total of 1.95p for the year, an increase of 5.4%. This will be paid on 4 July 2008 to all those shareholders on the register at close of business on 30 May 2008.

In 2007, Barry O'Connell retired from the Board. Barry was an outstanding contributor to the success of LAP, and we wish him well in his retirement.

Our performance in 2007 was satisfying in the economic circumstances and I would like to thank my Board colleagues, staff and advisers for all their hard work. 2008 has started well including one particular highlight which was the official opening on 29th February of the extension of King Edward Court, Windsor, by Her Majesty The Queen and HRH The Duke of Edinburgh. I look forward to building on our success to date during the coming year.

Michael Heller, Chairman
31 March 2008

the difficult investment market has thrown up certain opportunities and we were able to secure in December 2007 and January 2008 two off-market acquisitions.


RIVER ISLAND


Waitrose
Travelodge
Waitrose

king edward court, windsor

PRIME SHOPPING CENTRE IN THE HEART OF WINDSOR TOWN CENTRE

antiquarius, king's road, london

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

The year under review was a challenging one for the property investment world. Property values declined sharply in the second half of the year as a reaction to broader economic concerns.

chief executive's report

LAP's property portfolio was valued at £248.1m, a like-for-like decline of 8.6%. However, this could have been more severe were it not for the sale of properties in Dagenham, Christchurch, Wolverhampton and London for a total of £44.6m. These sales produced a net profit of £2.3m. So far in 2008, we have sold a property in Bradford for £1.5m against a book value of £0.8m and we have exchanged contracts to sell Chenil House, Kings Road, London for £15.0m plus a share of any additional value created should the buyer obtain planning consent for a larger building than anticipated. This transaction is conditional on vacant possession only. We have already secured vacant possession of the retail unit, while the upper parts are let on short term agreements with no rights of renewal. Vacant possession will occur no later than July this year.

The difficult investment market has thrown up certain opportunities and we were able to secure in December 2007 and January 2008 two off-market acquisitions. The first of these was a block of shops in Solihull, West Midlands, which we acquired for £13.7m to show a net initial yield of 5.4%. Solihull is arguably the most prosperous town in the West Midlands, and these shops are situated in a prime location between the entrance to the Touchwood Centre and the soon to be refurbished Mell Square. The list of high quality retailers who want to trade from these shops is extensive and we anticipate being able to drive forward the rents over the coming months and years. We have already negotiated a lease surrender from one of the existing tenants and the unit is under offer to a high quality national retailer at what will be a record rent.

The second acquisition was a 53,000 sq ft department store let until 2030 to Primark, plus an adjacent shop unit, in Market Square, Chesterfield. We paid £8.7m for this property, a net initial yield of 5.7%. Primark are currently paying £8.90 per sq ft which we feel should increase on review. There is a rent review in 2010.

WE REMAIN KEEN TO EXPAND IN THE CURRENT MARKET, AND I FEEL CONFIDENT THAT FURTHER OPPORTUNITIES WILL PRESENT THEMSELVES DURING THIS YEAR.

The vendors of both of these properties required completion in a short period of time. We were able to achieve this because we had available strong cash balances. Both properties have been refinanced subsequently from existing facilities; therefore we still have some £23.0m of unencumbered cash and committed facilities available for future acquisitions.

We continue to be presented with numerous interesting properties at attractive yields both on and off-market. We are looking seriously at a number of them. Our capacity to make acquisitions will be further enhanced by a joint venture with a high street bank for which we have full credit committee approval. This joint venture has already identified a potential acquisition and we hope to make a further announcement shortly.

Our remaining portfolio continues to perform well. We have few voids, accounting for just 2.2% of the total. In 2007 we achieved net incremental rental growth of some £795,000 pa on an annualised basis. This does not take into account the further £2.4m pa contracted at Windsor in 2006 on agreements for lease. These rents will all be receivable during this year.

Windsor

As reported in the interim statement, in September we acquired from Bank of Scotland the 50% of Analytical Properties' equity and loan stock that we did not already own for £14.1m. Following this transaction, we have been able to refinance the property, again with Bank of Scotland but on much better terms. This has led to an interest saving of some £800,000 pa.

The redevelopment of the property has been completed at a final cost of £24.1m. The new units are all let, with Top Shop taking the one remaining large unit at Mall level at a rent of £195,000 pa. This compares favourably with our estimated rental value of £175,000 pa and completes the line-up of top fashion retailers in this new block.

The unit at the lower level has been let to European Bathrooms, a chain of bathroom showrooms, and the kiosk at Mall level is let to Zest juice bars, at a combined rent of some £130,000 pa.

King Edward Court has a 900 space car park. We reviewed the price of parking there once the works were finished. The consequent price rises have added a net £475,000 pa of income with no drop in the level of usage.

The rest of the centre is fully let with the exception of one double unit that was temporarily occupied by Waitrose while their new 45,000 sq ft unit was being built. This is now under offer at a higher rent than Waitrose were paying, and once completed will add a further recognised national fashion retailer to this successful Centre.

Sheffield

We are now well underway into the demolition and rebuild of the Stonehouse public house and adjacent shops to create a 45,000 sq ft flagship store for TK Maxx, the anchor tenant of Orchard Square. TK Maxx will take a new lease at £625,000 pa, an increase of some £383,000 pa over all previous income from this part of the property. The contract sum and tenant incentives have been negotiated at £4.8m and works are due to complete in late August of this year.

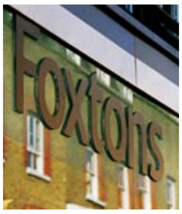
Elsewhere in the Centre, we have reached agreement with Evans to take a surrender of their existing lease and grant them a new lease on an extended unit. This is one unit within a block of four extended units emanating from a planning consent that we were awarded in 2003. Two of the three remaining units have been let to Starbucks at £62,500 pa and to fashion retailer Blue Banana at £87,500 pa. These deals reflect Zone A rates of approximately £90 per sq ft compared to £71 per sq ft currently in the centre. This is useful evidence for the next round of rent reviews which get underway this year. The rest of the centre remains fully let.

We have also agreed the rent review of the large unit fronting Fargate which is let to Zavvi, formerly Virgin Retail, at £460,000 pa, an increase of 15%.

WE ARE NOW WELL UNDERWAY INTO THE DEMOLITION AND REBUILD OF THE STONEHOUSE PUBLIC HOUSE AND ADJACENT SHOPS TO CREATE A 45,000 SQ FT FLAGSHIP STORE FOR TK MAXX, THE ANCHOR TENANT OF ORCHARD SQUARE.

our remaining portfolio continues to perform well. In 2007 we achieved net incremental rental growth of some £795,000 pa on an annualised basis.

The London Portfolio
At Antiquarius, on Kings Road London, we obtained consent from the freeholder, Cadogan Estates, to create a new unit of approx. 6,000 sq ft fronting onto the Kings Road. Preparation of the site commenced in late February this year including the removal of existing kiosks and certain walls. In March we were notified by English Heritage that the building had just been listed and all work was to cease immediately. Our advisers are now working to prepare a listed building application. We believe that our proposed works should be acceptable notwithstanding the listing. However, shareholders should be aware that there may be a delay while these matters are resolved. Net rental income in the Centre is largely unaffected as almost all of the displaced retailers have been relocated to previously empty units within Antiquarius.



The proposed unit has been pre-let to a major fashion retailer and will add significantly to the net rental income of this property. The projected costs including fees are estimated at £1.7m.

To the rear of Antiquarius, we successfully carried out a refurbishment of the vacant flat that had been in a state of disrepair for many years prior to our acquisition. This cost £488,000 including fees, but has been let at well over £50,000 pa.

In January 2008, we submitted a listed building application at The Mall Islington to allow us to make some minor adjustments to the ground floor slab and widen two access staircases into the basement. These works were approved by English Heritage, although the Local Authority has informally advised us that they are unwilling to give consent at first instance. We therefore expect this application to go to appeal and are confident as to the outcome. The proposed shop has been pre-let to a national retailer at a significantly higher net rent. Total projected costs of the works will be approximately £1.0m. We will keep shareholders updated on progress.

Phelps Cottage, a residential property adjacent to The Mall, is currently being refurbished at a cost of £300,000, and we expect to let it during the second half. Our two indoor markets at Brixton continue to trade satisfactorily and we are working hard to grow net rents there.

The rest of our portfolio is performing well. We have no current plans to sell any further properties in the near future. However, we are always looking for ways to enhance shareholder returns. In 2007 this included the acquisition of 324,030 of our own shares at an average of 85.1p. These shares have been placed in Treasury.

I am satisfied with our performance in 2007 and so far in 2008. Our strategy of selling mature properties was well timed. Our relationships with banks, agents and vendors are strong and, as we have seen in Solihull and Chesterfield, this is paying rewards. We remain keen to expand in the current market, and I feel confident that further opportunities will present themselves during this year.

John Heller.

John Heller, Chief Executive
31 March 2008

kings square, west bromwich

SUBSTANTIAL SHOPPING CENTRE IN THE HEART OF WEST BROMWICH


FARGATE
zavvi.co.uk
LIFT
VIRGIN MOBILE

orchard square, sheffield

PRIME SHOPPING CENTRE IN THE HEART OF SHEFFIELD

market row and brixton village,
brixton, south london

TWO MARKETS IN THE CENTRE OF THE 'MARKETS AREA' OF BRIXTON, SOUTH LONDON

During 2007, we consolidated our financial position by continuing to sell mature properties where we believed that the offer was sufficiently attractive.

finance director's report

This enabled us to build up our cash reserves, while maintaining our policy of prudently managing our loans. We entered into interest rate swaps on all outstanding floating rate debt at attractive rates of between 4.68% and 4.76% plus margin. We also refinanced and hedged a loan on King Edward Court, Windsor, following our acquisition of the 50% of the joint venture we previously did not own, which saved us some £0.8m pa.

Cash Flow

The Group currently is in a strong position with some £23.0m of unencumbered cash and facilities.

In 2007, we sold the Mall, Dagenham for £18.7m, Saxon Square in Christchurch for £20.5m, and three smaller properties for £4.6m. As stated, we acquired the 50% of Windsor that we did not already own for £14.1m from our joint venture partner, Bank of Scotland, as well as a block of shops in Solihull for £13.7m.

Since the year end, we have sold a property in Bradford for £1.5m and have exchanged contracts to sell Chenil House, Kings Road for £15.0m. The final price may rise depending on planning consent obtained by the purchaser and completion is scheduled for July. In February this year, we also acquired the 53,000 sq ft Primark store in Chesterfield for £8.7m.

The acquisitions in Solihull and Chesterfield have since been refinanced and the Group continues to be in a solid position with strong cash balances, and so able to take advantage of any opportunities as they arise.

We also acquired 324,030 of our own shares to be placed in Treasury for £278,000.

LONDON & ASSOCIATED PROPERTIES IS WELL PLACED TO MAKE FURTHER ACQUISITIONS AS OPPORTUNITIES ARISE.

Income Statement

The Group loss before tax was £23.9m (2006: profit £18.3m). This figure is adversely affected by the fall in value of the property portfolio which under IFRS is incorporated into the income statement. This diminution of value totals £26.7m, including our share of the property write-downs in Bisichi Mining PLC, our listed associate, and Dragon Retail Properties, our joint venture with Bisichi.

The average cost of debt has fallen to 6.1% (2006: 6.9%) despite the rising interest rates in the general market where three month LIBOR has risen in the year from 5.3% at 31 December 2006 to 6.0% at 31 December 2007.

The current tax charge in the year is £1.7m. However, the deferred tax recovery was £13.1m after taking into account the reduction in the property portfolio valuation, and this has resulted in a net tax recovery of £11.4 m.

Balance Sheet

The overall property portfolio, including the properties owned by Bisichi and Dragon Retail Properties reduced in the year to £266.2m. On a like-for-like basis the reduction was 9.0%.

The net assets of the Group, after taking into account the reduction in the property portfolio, were down by 12.6% to £89.0m. Fully diluted net assets per share were 116.7p (2006: 133.5p).

As we now own 100% of Analytical Properties, the company that owns King Edward Court, Windsor we have consolidated all of this company's debt. Analytical Properties remains a separate subsidiary and the loan is therefore ring-fenced. This loan is also fully hedged.

As mentioned above, the Group's term debt is fully hedged at rates below the current three month level of LIBOR. We entered into three different interest rate swaps towards the end of the year, full details of which are shown in the notes to the accounts. The previous interest rate collar and cap that we used to hedge these loans were sold back to the respective banks. These transactions resulted in a net saving for the group of £2.6m pa against the prevailing interest rates at the time of entering into the hedges.

Under IFRS our long term debenture debt continues not to be shown at fair value. An adjustment to fair value would amount to a decrease of 3.5p per share (2006: 4.0p). It remains our policy not to repay the debt early.

WE ENTERED INTO INTEREST RATE SWAPS ON ALL OUTSTANDING FLOATING RATE DEBT AT ATTRACTIVE RATES OF BETWEEN 4.68% AND 4.76% PLUS MARGIN.

Dividends

The proposed final dividend of 1.3p, payable to shareholders on 4 July 2008, gives a total dividend for the year of 1.95p, an increase of 5.4%.

Our associated company Bisichi Mining PLC, in which we hold a 41.7% stake, produced an excellent result from its direct mining operation in South Africa but this was offset by the revaluation deficit on its property portfolio resulting in a pre-tax loss for the year of £0.4m. With potential opencast mining expected to come on stream during 2008 the outlook for the company is positive.

London & Associated Properties is well placed to make further acquisitions as opportunities arise. Our prudent management of the company's finances has stood us in good stead in times of economic uncertainty and I look forward to reporting on further progress in 2008.

Robert Corry, Finance Director
31 March 2008

our strategy of selling mature properties was well timed. Our relationships with banks, agents and vendors are strong.

high street/mill lane, solihull

market square, chesterfield

our financing is strong and we have fully hedged our bank loans. This has enabled us to pursue further investment opportunities. We also have credit committee approval from a high street bank for a new £74m joint venture.

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

† **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 Parritt joined the board on 1 January 2006. He is a chartered accountant with over 30 years experience of providing strategic, financial and commercial advice to businesses. He is chairman of Barronsmead VCT 2 plc and BG Consulting Group Limited as well as a non-executive director of F&C US 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 and as Senior Independent Director he chairs the Nomination and Remuneration Committees.

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 PLC
Barclays Bank PLC
HSBC Bank PLC
National Westminster Bank PLC

Solicitors

Olswang
Pinsent Mason
Charles Russell
Kuit, Steinart, Levy - *Manchester*

Stockbrokers

Oriel Securities Limited

Registrars & transfer office

Capita Registrars,
Northern House,
Woodsome Park,
Fenay Bridge,
Huddersfield HD8 0LA

Telephone 0871 664 0300
(Calls cost 10p per minute + network extras) or +44 208 639 3399 for overseas callers
Website: www.capitaregistrars.com
Email: ssd@capitaregistrars.com

Company registration number

341829 (England and Wales)

Website

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E-mail

admin@lap.co.uk

directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2007.

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 current development and performance

The Chairman's Statement, Chief Executive's Review and Finance Director's Report on the preceding pages 2 to 19 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.

Property Activities

The group is a long-term investor in property. It acquires retail properties and actively manages its assets to improve rental income and thus enhance the value of its properties over time.

In reviewing performance, the principal areas regularly monitored by the group include:

- *Rental income* – the aim of the group is to maximise the maintainable income from each property by careful tenant management supported by sympathetic and revenue enhancing development. Income may be affected adversely by the inability of tenants to pay their rent. This risk is minimised as a result of the diversified tenant base, which should limit the impact of the failure of any individual tenant.
- *Cash flow* – allowing for voids, acquisitions, development expenditure, disposals and the impact of operating costs and interest charges, the group aims to maintain a positive cash flow taking one year with another.
- *Financing costs* – the exposure of the group to interest rate movements is managed by the use of swap arrangements (see note 18 on page 46 for full details of the contracts in place).
- *Property valuations* – market sentiment and economic conditions have a direct effect on property valuations, which therefore can vary significantly (upwards or downwards) over time. Bearing in mind the long-term nature of the group's business, valuation changes have little direct effect on the ongoing activities or the income and expenditure of the group. Tenants generally have long-term leases, so rents are unaffected by short-term valuation changes. On the other hand, borrowings are secured against property values and if those values fall very significantly, this could limit the ability of the group to develop the business using external borrowings. The risk is minimised by trying to ensure that there is adequate cover to allow for fluctuations in value on a short-term basis.

It continues to be the policy of the group to realise property assets when the valuation of those assets reaches a level at which the long-term rental yield has been reached. The group also seeks to buy additional property investments on an opportunistic basis when the potential rental yields offer scope for future growth.

Investment Activities

The investments in the joint venture and the associate are for the long term.

The group is an investor in the associate and manages the UK property assets of the associate. However the principal activity of the associate is overseas mining (principally in South Africa) and mining finance. The investment is held to generate income and capital growth over the longer term. The board believes this is worthwhile despite the inherent risks in overseas mining activities (e.g. commodity prices, currency volatility, geological variability and political change).

The other listed investments are held as current assets to provide the liquidity needed to support the property activities while generating income and capital growth.

Corporate responsibility

Environment

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. Wherever possible, improvements, repairs and replacements are made in an environmentally efficient manner and waste re-cycling arrangements are in place at all the company's locations.

Employment

The group's policy is to attract staff and motivate employees by offering competitive terms of employment. The group provides equal opportunities to all employees and prospective employees including those who are disabled.

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 34. Cash flow is shown on page 36.

Dividends and shares

An interim dividend for 2007 of 0.65p was paid on 25 January 2008 (2006: 0.60p paid on 26 January 2007). The directors recommend the payment of a final dividend for 2007 of 1.3p per ordinary share (2006: 1.25p) making the total dividend for 2007 1.95p (2006:1.85p). The final dividend will be payable on 4 July 2008 to shareholders registered at the close of business on 30 May 2008.

During 2007 the company bought 324,030 of its own shares in the market for an average price of 85.1p which were added to its shares held in Treasury.

The company's ordinary shares held in treasury

At 31 December 2007 6,167,545 (2006: 6,088,355) shares were held in treasury with a market value of £8,095,000 (2006: £7,796,000). At the Annual General Meeting (AGM) in June 2007 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 2008.

Movements in Treasury shares during the year:	Transaction price	Number of shares
Treasury shares held at 1 January 2007		6,088,355
October 2007 Purchase of own shares in the market for Treasury	102.3p	74,030
November 2007 - Issue of Treasury shares in connection with the HMRC approved share incentive plan	96.25p	(109,787)
November 2007 - Issue of Treasury shares as part of bonus to directors and staff	96.25p	(135,053)
December 2007 - Purchase of own shares in the market for Treasury	80.0p	250,000
Treasury shares held at 31 December 2007		6,167,545

Treasury shares are not included in issued share capital for the purposes of calculating earnings per share and net assets per share, and they do not qualify for dividends payable.

Investment properties

99.99 per cent of the freehold and long leasehold properties of the company and its subsidiaries were revalued as at 31 December 2007 by external professional firms of chartered surveyors - Allsop LLP, London (98.04 per cent of the portfolio), and Hill Woolhouse, Leeds (1.95 per cent) and the remaining property (0.01 per cent) was valued by the directors. The valuations, which are reflected in the financial statements, amount to £248.1million (2006: £192.8million).

Taking account of prevailing market conditions, the valuation of group properties at 31 December 2007 resulted in a reduction of £25.2million (2006: surplus £21.6million). This has been reflected in the income statement in accordance with the requirements of IFRS. The reduction includes £8.2million in relation to properties held by the Analytical Properties Group which, in 2006, was a joint venture operation but which is now wholly owned by the group.

The impact of property revaluations on the company's joint venture (Dragon Retail Properties Limited) and the associate company (Bisichi Mining plc) was a reduction of £3.1million (2006 including Analytical Properties Group: surplus £4.3million). The proportion of this revaluation attributable to the Group (net of taxation) is reflected in the income statement and the consolidated balance sheet.

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 for applying these policies to the Chief Executive and Finance Director. Financial instruments are used to manage the financial risks facing the group - speculative transactions are prohibited. Treasury operations are reported at each board meeting and are subject to weekly internal reporting.

Hedging arrangements have been put in place in the company and subsidiary in order to limit the exposure to interest rate risk.

Directors

M A Heller, J A Heller, R J Corry, H D Goldring, C A Parritt and M C Stevens were directors of the company for the whole of 2007. B J O'Connell was a director until he retired on 31 October 2007.

H D Goldring and M C Stevens are retiring by rotation at the Annual General Meeting in 2008 and offer themselves for re-election. Brief details of the directors offering themselves for re-election are as follows:

H D Goldring has been a director since 1992 and has a letter of appointment 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 executive chairman of Delmore Asset Management Limited which specialises in the management of equity portfolios and the provision of asset allocation advice for private clients, family offices and pension funds. The board has considered the re-appointment of Howard Goldring and recommends his re-election as a director. His specialised economic knowledge and broad business experience are of significant benefit to the business.

M C Stevens has been Company Secretary since 1985 and an executive director since 1986. He is a chartered accountant and is responsible for the group's administration, systems and technology and HR. He has extensive knowledge of the Group's financial systems and plays a key role in internal control and risk monitoring. His contract of employment is determinable at six months notice.

Directors' interests

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

	Beneficial interests		Non-beneficial interests	
	31 Dec 07	1 Jan 07	31 Dec 07	1 Jan 07
M A Heller	4,871,757	4,871,757	18,520,634	18,520,364
R J Corry	342,065	251,651	-	-
H D Goldring	11,080	11,080	-	-
J A Heller	1,139,691	1,129,134	[†]13,520,634	[†]13,520,634
B J O'Connell*	122,960	122,960	-	-
C A Parritt	24,364	24,364	-	-
M C Stevens	475,222	434,615	[+]365,772	[+]365,772

[†]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 B J O'Connell is his holding from 1 January 2007 until his retirement on 31 October 2007.

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 between 31 December 2007 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 28.

The beneficial holdings of directors above include their interests in the Share Incentive Plan.

Substantial shareholdings

At 31 December 2007 M A Heller and his family had an interest in 43.1 million shares of the company, representing 56.6 per cent of the issued share capital net of treasury shares (2006: 43.1 million shares representing 56.5 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 (2006: 2,685,200 shares representing 3.5 per cent). The company was not aware of any other holdings exceeding 3 per cent of the issued share capital and no changes have occurred since the year end.

Takeover Directive

The company has one class of share capital, ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank pari passu. There are no securities issued in the company which carry special rights with regard to control of the company.

The identity of all significant direct or indirect holders of securities in the company and the size and nature of their holdings is shown in the "Substantial shareholdings" above.

The rights of the ordinary shares to which the Approved Scheme and the Unapproved Scheme relate, are exercisable by the trustees on behalf of the employees.

There are no restrictions on voting rights or on the transfer of ordinary shares in the company. The rules governing the appointment and replacement of directors, alteration of the articles of association of the company and the powers of the company's directors accord with usual English company law provisions. Each director is re-elected every three years or more often. The company has requested authority from shareholders to buy back its own ordinary shares and there will be a resolution to renew the authority at this year's AGM.

The company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid.

The company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Statement as to disclosure of information to auditors

The directors in office on 31 December 2007 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. All 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 (section A.7.2).

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 three non-executive directors until 31 October 2007 when B J O'Connell retired. Their details appear on page 21. The board is responsible to shareholders for the proper management of the group. A directors' responsibility statement in respect of the accounts is set out on page 32. 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.

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

- The nomination committee is chaired by C A Parritt (B J O'Connell until 31 October 2007) 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 C A Parritt (B J O'Connell until 31 October 2007). The executive chairman is normally invited to attend. The directors' remuneration report is set out on pages 27 to 29.
- The audit committee comprises the non-executive directors and is chaired by C A Parritt. The audit committee report is set out on page 30.

Board and board committee meetings held in 2007

The board held 11 regular meetings during the year which were attended by all directors. The remuneration committee held 2 meetings with full attendance. The audit committee held 3 meetings with full attendance and the nomination committee held 1 meeting during the year with full attendance.

Performance evaluation - board, board committees and directors

The performance of the board as a whole and of its committees and 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 senior independent director meets regularly with the chairman, executive and non-executive directors individually outside of formal meetings. 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 C A Parritt (B J O'Connell until his retirement on 31 October 2007). The other independent non-executive director is H D Goldring. Delmore Asset Management Limited (Delmore) is a company in which H D Goldring is a majority shareholder and director. Delmore provides consultancy services to the company on a fee basis. H D Goldring's association with Delmore and the length of his service on the board mean that the criteria for independence set out in the Combined Code of Corporate Governance are not met.

However the board considers that the independence of H D Goldring is not impaired either because he has served on the board for more than nine years or because of his association with Delmore. The board therefore regards H D Goldring as being independent.

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 by the company and its insurance advisers.

Internal control

The directors are responsible for the group's system of internal control and for reviewing its effectiveness at least annually. The board has designed the group's system of internal control in order to provide the directors with reasonable assurance that 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 clearly defined lines of responsibility 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 departments 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 internal control issues to report in the annual report and financial statements for the year ended 31 December 2007 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

Communications with shareholders are given high priority. Extensive information about the group and its activities is given in the Annual Report and Accounts, and the Half-year Report. The company's website www.lap.co.uk is also updated with all announcements and reports promptly when they are issued. There is a regular dialogue with the company's stockbroker and institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.

The company's website is being further developed to enable communication with existing and potential new shareholders to be simplified. Members' authority is being sought at the AGM to enable the company to offer shareholders electronic communications in place of paper based reports. The Board believes that the use of electronic communication will be a more effective means of keeping shareholders up to date, although printed information will remain available for those who prefer it.

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 10.0 days annual trade purchases (2006: 13.8 days).

Donations

No political donations were made during the year (2006: Nil). Charitable donations amounted to £650 (2006: £1,000).

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.

Annual General Meeting

The annual general meeting will be held at the RAC Club, 89 Pall Mall, London SW1Y 5HS on Wednesday 11 June 2008 at 10.30 a.m. Items 1 to 7 will be proposed as ordinary resolutions. More than 50 per cent of shareholders' votes must be in favour for these resolutions to be passed. Items 8 to 11 will be proposed as special resolutions. At least 75 per cent of shareholders' votes must be in favour for these resolutions to be passed. The directors consider that all of the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The board recommends that shareholders vote in favour of all of the resolutions.

Special resolutions will be proposed at the Annual General Meeting for:

1. 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 8), 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 8.

2. Purchase of own ordinary shares
The effect of Resolution 9 to be proposed at the Annual General Meeting would be to give the company 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 for an ordinary share is an amount equal to the higher of (i) 105% of the average market price for an ordinary share for the five business days preceding any such purchase and (ii) the higher of the last independent trade for an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out. The authority conferred by Resolution 9 will expire at the conclusion of the 2009 Annual General Meeting or 15 months from the passing of the resolution, whichever is the earlier.

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 0.158% 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 0.176% of the reduced issued share capital of the Company assuming full use of the authority to make market purchases sought under Resolution 9.

3. Amendments to the company's articles of association - Conflicts of interest
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. Resolution 10, proposed as a special resolution, will if passed amend the articles of association of the Company to include such provisions. The amended articles of association will give the directors authority to approve such situations and will include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the amended articles of association should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the situation giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

4. Website communications
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. Resolution 11, which is proposed as a special resolution, will allow the Company to take advantage of the new provisions relating to website communications and permit the Company to use website communication as the default position without sending documents to shareholders. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

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*
31 March 2008
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 2007.

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 C A Parritt (chairman) and H D Goldring. B J O'Connell was chairman of the committee until his retirement on 31 October 2007.

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 designed to attract, retain and motivate individuals of a calibre which will ensure the successful leadership and management of the company. Remuneration packages are designed to reward the executive directors and senior executives fairly for their contributions whilst remaining within the range of benefits offered by similar companies in the sector. 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.

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.

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
C A Parritt	1 January 2006	Continuous	3 months

The following information has been audited

Directors' Remuneration for the year ended 31 December 2007

	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 2007 £'000**	Total before pension contrib -utions £'000	Pension contrib -utions £'000	Total 2006 £'000
Executive directors										
M A Heller*	7	300	-	46	**353**	-	**353**	300	-	300
J A Heller	300	644	6	52	**1,002**	30	**1,032**	949	32	981
R J Corry	166	75	5	26	**272**	113	**385**	319	33	352
M C Stevens	110	-	5	18	**133**	128	**261**	186	91	277
	583	1,019	16	142	**1,760**	271	**2,031**	1,754	156	1,910
Non-executive directors										
H D Goldring*	32	-	-	3	**35**	-	**35**	45	-	45
C A Parritt	23	-	-	-	**23**	-	**23**	26	-	26
L C J Brown[†]	-	-	-	-	**-**	-	**-**	10	-	10
B J O'Connell[†]	23	-	-	3	**26**	-	**26**	34	-	34
	78	-	-	6	**84**	-	**84**	115	-	115
Total remuneration for directors' service during year	661	1,019	16	148	**1,844**	271	**2,115**	1,869	156	2,025

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

[†] L C J Brown retired from the board on 28 June 2006 and B J O'Connell retired from the board on 31 October 2007.

Pension schemes and incentives

Three (2006: three) directors have benefits under money purchase pension schemes. Contributions in 2007 were £271,000 (2006: £156,000) as set out in the table above. Directors are not entitled to benefits under any bonus or incentive schemes apart from the share option and share incentive plan, 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 2007 (2006: four).

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 (2006: £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 consultancy 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 HMRC approved scheme (Approved Scheme) was set up in 1986 in accordance with HMRC rules to gain HMRC approved status which gave the members certain tax advantages.
2. The HMRC unapproved scheme (Unapproved Scheme) was set up in 1998 and is not subject to HMRC rules for approval.

No director has any options outstanding 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 2007	Granted in 2007	Exercised in 2007	31 December 2007	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 2007 was 85.5p (2006: 131.0p). During the year the share price ranged between 82.0p and 138.0p.

Share incentive plan

Following a recommendation of the remuneration committee the directors set up a HMRC approved share incentive plan (SIP) in 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 comprises 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 19 November 2007 (2006: 25 July 2006) free shares up to the annual maximum of £3,000 per member were awarded at 96.25p (2006: 108.5p) per share as follows:

	Number of members		Number of shares		Value of shares	
	2007	2006	2007	2006	2007	2006
Directors:					£	£
R J Corry	1	1	3,117	2,765	3,000	3,000
J A Heller	1	1	3,117	2,765	3,000	3,000
M C Stevens	1	1	3,117	2,765	3,000	3,000
Staff	19	15	15,819	28,325	15,225	30,733
Total at 31 December	**22**	**18**	**25,170**	**36,620**	**24,225**	**39,733**

2. Partnership shares On 19 November 2007 (2006: 6 November 2006) directors and staff were invited to complete partnership share agreements and commence saving for partnership shares over the period November 2007 to October 2008. At 31 December 2007 three directors and fifteen staff had saved a total of £24,046 towards the cost of partnership shares to be acquired in October/November 2008. The shares will be acquired at the prevailing market price on the day of acquisition.

SIP Partnership shares acquired on 19 November 2007:

	Number of members	Number of shares	Value of shares 2007 £	2006 £
Directors:				
R J Corry	1	1,558	1,500	-
J A Heller	1	1,558	1,500	-
M C Stevens	1	1,558	1,500	-
Staff	19	23,526	22,650	-
Total at 31 December	**22**	**28,200**	**27,150**	-

3. Matching shares 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. On 19 November 2007 56,417 matching shares were allocated (2006: Nil). Matching shares will usually be forfeited if a member leaves employment in the group within 5 years of their grant.

SIP Matching shares granted:

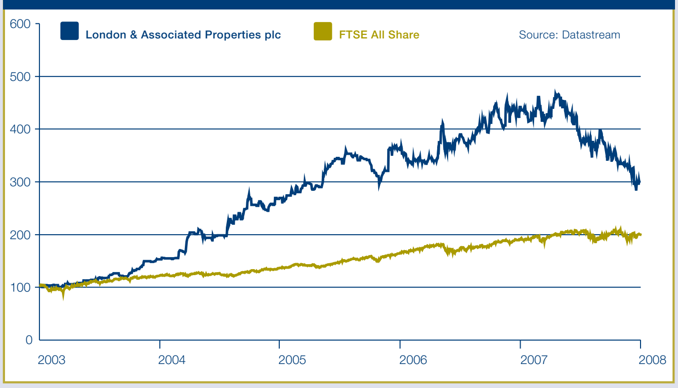
	Number of members	Number of shares	Value of shares 2007 £	2006 £
Directors:				
R J Corry	1	3,117	1,500	-
J A Heller	1	3,117	1,500	-
M C Stevens	1	3,117	1,500	-
Staff	19	47,066	22,650	-
Total at 31 December	**22**	**56,417**	**27,150**	-

4. Dividend shares Dividends on shares acquired under the SIP will be utilised to acquire additional shares. Accumulated dividends received on shares in the SIP to 31 December 2007 amounted to £677 (2006: Nil).
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 until transferred to members in accordance with the rules of the SIP.

The following information is unaudited

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 (2003-2007)



C A Parritt
Chairman - Remuneration Committee
31 March 2008

audit committee report

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.

At the year end the audit committee comprised the two non-executive directors - H D Goldring and C A Parritt, both a chartered accountants. B J O'Connell was chairman of the committee until his retirement on 31 October 2007.

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 half year 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 chairman of the audit committee had a separate meeting with the external audit partner.

External Auditors

Baker Tilly held office until 31 March 2007, subsequent to this Baker Tilly UK Audit LLP held office. 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
31 March 2008

independent auditor's report

to the members of London & Associated Properties PLC

We have audited the group and parent company financial statements on pages 33 to 62 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 Directors' Responsibility Statement.

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, Chief Executive's Report and the Finance Director'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 2006 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, 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

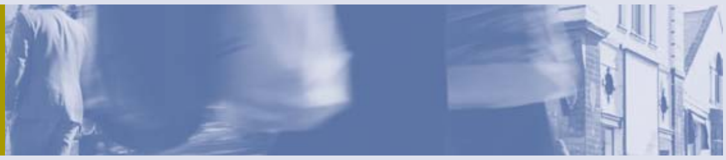
In our opinion:

- 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 2007 and of its loss 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 2007;
- 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

17 April 2008

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 2007 by the company as detailed in our Valuation Report dated 11 February 2008.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2007 of these interests was:

	£'000
Freehold	**111,335**
Leasehold	**131,870**
	243,205

27 Soho Square, London W1D 3AY
11 February 2008

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 2007 by the company as detailed in our Valuation Report dated 13 February 2008.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2007 of these interests was:-

	£'000
Freehold	**4,839**

67 St Paul's Street, Leeds LS1 2TE
13 February 2008

Hill Woolhouse
Commercial Surveyors

consolidated income statement

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Gross rental income			
Group and share of joint ventures		**14,260**	11,840
Less: joint ventures - share of rental income		**(1,228)**	(3,949)
Revenue	1	**13,032**	7,891
Direct property expenses		**(2,481)**	(1,107)
Overheads		**(4,974)**	(3,623)
Property overheads	1	**(7,455)**	(4,730)
Net rental income	1	**5,577**	3,161
Listed investments held for trading	3	**144**	264
Costs of evaluation	6	**(339)**	(1,849)
Goodwill impairment	6	**(173)**	(7,483)
Analytical Group (2006: London Portfolio)		**(512)**	(9,332)
Profit on sale of subsidiary investments		**-**	52
Profit on sale of investment properties		**2,295**	-
Net (decrease)/increase on revaluation of investment properties		**(25,208)**	21,610
Net (decrease)/increase in value of investments held for trading		**(16)**	680
Operating (loss)/profit	1	**(17,720)**	16,435
Share of profit of joint ventures after tax	11	**1,572**	4,358
Share of (loss)/profit of associate after tax	12	**(448)**	972
		(16,596)	21,765
Interest receivable	5	**1,583**	742
Interest payable	5	**(8,874)**	(4,182)
(Loss)/profit before taxation		**(23,887)**	18,325
Income tax	7	**11,384**	(3,107)
(Loss)/profit for the year		**(12,503)**	15,218
Basic (loss)/earnings per share	9	**(16.40)p**	20.00p
Diluted (loss)/earnings per share	9	**(16.40)p**	19.97p

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

consolidated balance sheet

at 31 December 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Market value of properties attributable to group		**248,076**	192,788
Present value of head leases		**31,671**	9,340
Property	10	**279,747**	202,128
Plant and equipment	10	**881**	1,033
Investments in joint ventures	11	**1,881**	15,263
Investments in associated company	12	**6,401**	6,872
Held to maturity investments	13	**5**	1,834
		288,915	227,130
Current assets			
Trade and other receivables	14	**7,214**	3,849
Financial assets-investments held for trading	15	**5,113**	4,992
Cash and cash equivalents		**16,464**	14,555
		28,791	23,396
Total assets		**317,706**	250,526
Current liabilities			
Trade and other payables	16	**(12,988)**	(11,434)
Financial liabilities-borrowings	17	**(6,250)**	(5,693)
Current tax liabilities		**(1,869)**	–
		(21,107)	(17,127)
Non current liabilities			
Financial liabilities-borrowings	17	**(162,866)**	(99,976)
Present value of head leases on properties		**(31,671)**	(9,340)
Deferred tax	19	**(13,071)**	(22,223)
		(207,608)	(131,539)
Total liabilities		**(228,715)**	(148,666)
Net assets		**88,991**	101,860
Equity			
Share capital	20	**8,232**	8,232
Share premium account		**5,236**	5,236
Capital redemption reserve		**47**	47
Translation reserve in associate		**(530)**	(517)
Fair value reserve		**1,001**	–
Other reserves		**429**	429
Retained earnings (excluding treasury shares)		**81,125**	94,966
Treasury shares	20	**(6,549)**	(6,533)
Retained earnings		**74,576**	88,433
Total shareholders' equity		**88,991**	101,860
Net assets per share	9	**116.86p**	133.62p
Diluted net assets per share	9	**116.73p**	133.47p

These financial statements were approved by the board of directors and authorised for issue on 31 March 2008 and signed on its behalf by:

M A Heller
Director

M C Stevens
Director

consolidated statement of changes in shareholders' equity

for the year ended 31 December 2007

	Share capital £'000	Share premium £'000	Translation reserve £'000	Fair Value reserve £'000	Other reserves £'000	Retained Earnings Treasury shares £'000	Retained Earnings Earnings ex: treasury shares £'000	Total equity £'000
Balance at 1 January 2006	8,232	5,228	24	-	476	(6,632)	81,013	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 1 January 2007	**8,232**	**5,236**	**(517)**	**-**	**476**	**(6,533)**	**94,966**	**101,860**
Fair value gain of interest rate derivatives (net of deferred tax)	-	-	-	1,001	-	-	-	1,001
Equity share options in associate	-	-	-	-	-	-	99	99
Acquisition of own shares	-	-	-	-	-	(278)	-	(278)
Disposal of own shares	-	-	-	-	-	262	-	262
Loss on disposal of own shares	-	-	-	-	-	-	(27)	(27)
Currency translation in associate	-	-	(13)	-	-	-	-	(13)
Dividend		-	-	-	-	-	(1,410)	(1,410)
Loss for year	-	-	-	-	-	-	(12,503)	(12,503)
Balance at 31 December 2007	**8,232**	**5,236**	**(530)**	**1,001**	**476**	**(6,549)**	**81,125**	**88,991**

Other reserves include Capital redemption reserve of £47,000 (2006: £47,000).

consolidated cash flow statement

for the year ended 31 December 2007

	2007 £'000	2006 £'000
Operating activities		
Operating (loss)/profit	**(17,720)**	16,435
Depreciation	**201**	178
Goodwill impairment	**173**	7,483
Costs of evaluation	**339**	1,849
Analytical Group (2006:London Portfolio)	**512**	9,332
Loss/(gain) on disposal of non-current assets	**9**	(30)
Profit on sale of investment properties	**(2,295)**	-
Profit on sale of subsidiary investments	**-**	(52)
Net decrease/(increase) on revaluation of investment properties	**25,208**	(21,610)
Net decrease/(increase) in value of investments held for trading	**16**	(680)
Increase in net current assets	**(1,966)**	(129)
Cash generated from operations	**3,965**	3,444
Interest paid	**(9,303)**	(4,980)
Interest received	**1,916**	757
Income tax paid	**(3,420)**	(359)
Cash flows from operating activities	**(6,842)**	(1,138)
Investing activities		
Repayment of investment in loan stock in joint ventures	**-**	1,950
Acquisition of subsidiary investments (net of cash acquired)	**(11,097)**	(27,313)
Costs of evaluation of subsidiary investments	**(339)**	(1,849)
Sale of subsidiary investments	**-**	1,695
Property acquisitions and improvements	**(22,455)**	(2,656)
Sale of properties	**43,804**	1,453
Purchase of office equipment and motor cars	**(104)**	(204)
Sale of office equipment and motor cars	**29**	61
Dividends received	**3,343**	7,248
Cash flows from investing activities	**13,181**	(19,615)
Financing activities		
Purchase of treasury shares	**(278)**	(40)
Sale of treasury shares	**235**	127
Equity dividends paid	**(1,410)**	(1,313)
Debt repaid on acquisition of subsidiary investments	**-**	(23,375)
(Repayment)/drawdown of short term loan from joint venture	**(163)**	2,600
(Repayment)/drawdown of medium term bank loan	**(3,371)**	47,850
Cash flows from financing activities	**(4,987)**	25,849
Net increase in cash and cash equivalents	**1,352**	5,096
Cash and cash equivalents at beginning of year	**8,862**	3,766
Cash and cash equivalents at end of year	**10,214**	8,862

Cash and cash equivalents

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

	2007 £'000	2006 £'000
Cash and cash equivalents (before bank overdraft)	**16,464**	14,555
Bank overdraft	**(6,250)**	(5,693)
Cash and cash equivalents at end of year	**10,214**	8,862

£9.5m of cash deposits at 31 December 2007 was charged as security to the Prudential. This has been released since the year end.

group accounting policies

The following are the principal group accounting policies:

Basis of accounting
The group financial statements for the year ended 31 December 2007 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 and fair value of interest derivatives.

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

Key judgements and estimates
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, further details of which are set out below. Although management believes that the assumptions and estimates used are reasonable, the actual results may differ from those estimates.

International Accounting Standards (IAS/IFRS)
IFRS 7, 'Financial Instruments: Disclosures' and IAS I, 'Presentation of financial instruments: Capital disclosures' were adopted during 2007. Under IFRS 7, the group has disclosed 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 is no effect on reported income or net assets.

The following interpretations to published standards are mandatory for the group's accounting period, but are not relevant to the group's operations:

- IFRIC 7 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflation economies'.
- IFRIC 9 'Re-assessment of embedded derivatives'.

The adoption of these interpretations to published standards will have no material impact on the group's financial statements.

At the date of approval of these financial statements, it is not anticipated that any standards or interpretations in issue but not yet effective will have a material impact on the financial statements.

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. All intra group transactions, balances, income and expenses are eliminated on consolidation. Details of group subsidiary companies are set out in note 27.4.

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

Associates
Undertakings in which the group has a participating interest of not less than 20% of 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.

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.

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 two share option schemes. 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.

Trade and other payables
Trade and other payables are non interest bearing and are stated at their nominal value.

Bank loans and overdrafts
Bank loans and overdrafts are included as financial liabilities on the group balance sheet net of the unamortised discount and costs of issue. 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.

Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction i.e. an interest payment, the element of the gain or loss on the derivative that is an effective hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement i.e. when interest income or expense is recognised.

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
Investment properties are measured initially at cost, including related transaction costs. Additions to capital expenditure, being costs of a capital nature, 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 motor vehicles and office 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.

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

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

1. Segmental analysis

Business segments

	2007 Property £'000	2007 Listed investments £'000	2007 Total £'000	2006 Property £'000	2006 Listed investments £'000	2006 Total £'000
Rental income	13,032	-	13,032	7,891	-	7,891
Property overheads	(7,455)	-	(7,455)	(4,730)	-	(4,730)
Net rental income	5,577	-	5,577	3,161	-	3,161
Other income	-	144	144	-	264	264
Profit on sale of subsidiary undertakings	-	-	-	-	52	52
Profit on sale of investment properties	2,295	-	2,295	-	-	-
Net (decrease)/increase on revaluation of investment properties	(25,208)	-	(25,208)	21,610	-	21,610
Net (decrease)/increase on revaluation of investments held for trading	-	(16)	(16)	-	680	680
Segment result	(17,336)	128	(17,208)	24,771	996	25,767
Costs of evaluation	(339)	-	(339)	(1,849)	-	(1,849)
Goodwill impairment	(173)	-	(173)	(7,483)	-	(7,483)
Operating (loss)/profit	(17,848)	128	(17,720)	15,439	996	16,435
Total assets (excluding investments in associate and joint ventures)	304,311	5,113	309,424	223,399	4,992	228,391
Total liabilities (excluding borrowings and current tax)	(57,730)	-	(57,730)	(42,997)	-	(42,997)
Borrowings	(169,116)	-	(169,116)	(105,669)	-	(105,669)
Net assets	77,465	5,113	82,578	74,733	4,992	79,725
Current tax liabilities: non segmental			(1,869)			-
Investments in joint ventures: non segmental (note 11)			1,881			15,263
Investments in associate: non segmental (note 12)			6,401			6,872
Net assets as per balance sheet			88,991			101,860
Other segment items:						
Depreciation	201	-	201	178	-	178
Capital expenditure	121,952	-	121,952	56,128	-	56,128

Rental income

	Company £'000	Analytical Properties £'000	Dragon Retail Properties Limited £'000	Total £'000	Group Share 2007 £'000	2006 £'000
Rental income	13,032	2,270	186	15,488	14,260	11,840
Direct property expenses	(2,481)	(701)	(18)	(3,200)	(2,840)	(1,556)
Overheads	(4,974)	(255)	(52)	(5,281)	(5,128)	(4,116)
	5,577	1,314	116	7,007	6,292	6,168
Less: attributable to joint ventures					(715)	(3,007)
Net rental income					5,577	3,161

Geographical segments

At net rental income level, the Group operates in the United Kingdom only. The directors consider it to be the only geographical segment of the business.

2. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):	2007 £'000	2006 £'000
Staff costs (note 22)	**3,620**	3,373
Depreciation on tangible fixed assets - owned assets	**201**	178
Operating lease rentals - land and buildings	**334**	334
Profit on disposal of motor vehicles and office equipment	**(8)**	(30)
Amounts payable to the auditors in respect of both audit and non-audit services		
Audit services:		
Statutory - company and consolidation	**78**	68
- subsidiaries	**47**	41
Further assurance services	**12**	5
Services related to corporate finance	**55**	330
Other services	**28**	13
	220	457

Staff costs and depreciation of tangible fixed assets are included in overheads.

3. Listed investments held for trading

	2007 £'000	2006 £'000
Investment sales	**628**	699
Dividends receivable	**164**	259
	792	958
Cost of sales	**(623)**	(669)
	169	289
Attributable overheads	**(25)**	(25)
Net income from listed investments	**144**	264

4. Directors' emoluments

	2007 £'000	2006 £'000
Emoluments	**1,844**	1,869
Defined contribution pension scheme contributions	**271**	156
	2,115	2,025

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

5. Finance costs

	2007 £'000	2006 £'000
Interest receivable	**1,583**	742
Interest payable		
Interest on bank loans and overdrafts	**(6,592)**	(2,839)
Interest on other loans	**(3,138)**	(2,124)
Hedging	**509**	-
Interest on obligations under finance leases	**(798)**	36
Total borrowing costs	**(10,019)**	(4,927)
Amounts included in the cost of qualifying assets	**1,145**	745
	(8,874)	(4,182)
	(7,291)	(3,440)

£1,145,000 interest payable (2006: £745,000) 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.

6. Exceptional items

	2007 £'000	2006 £'000
Costs of evaluation	**339**	1,849
Goodwill impairment	**173**	7,483
Analytical Group (2006: London Portfolio)	**512**	9,332

The costs of evaluation represent fees incurred by the Company, prior to the decision being taken that the company should acquire the 50% interest in the issued share capital of Analytical Properties Holdings Limited (Analytical Group) not already owned by the Company. Goodwill impairment arose on the acquisition of the Analytical Group on 25 September 2007. This goodwill arose primarily as a result of recognising the deferred tax which would arise if the properties within Analytical Group were realised at the fair valuation applied on acquisition. This goodwill is immediately written off to the income statement. The company also acquired £1,829,000 of B loan stock of Analytical Group at par value.

(2006:The costs of evaluation represent fees 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. This goodwill arose primarily as a result of recognising the deferred tax which would arise if the properties within APL Ocean Limited were realised at the fair valuation applied on acquisition. This goodwill is immediately written off to the income statement.)

7. Income tax

	2007 £'000	2006 £'000
Current tax:		
Corporation tax on (loss)/profit of the period	**1,700**	-
Adjustments in respect of previous periods	**21**	-
Total current tax	**1,721**	-
Deferred tax		
Origination and reversal of timing differences	**711**	(2)
Revaluation of investment properties	**(12,962)**	3,141
Revaluation of investments held for trading	**(587)**	103
Accelerated capital allowances	**(267)**	(135)
Total deferred tax (note 19)	**(13,105)**	3,107
Tax on (loss)/profit on ordinary activities	**(11,384)**	3,107

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 (2006: 30 per cent). The differences are explained below:

	2007	2006
(Loss)/profit on ordinary activities before taxation	**(23,887)**	18,325
Taxation on ordinary activities at 30 per cent	**(7,166)**	5,498
Effects of:		
Expenses not deductible for tax purposes	**30**	4
Capital allowances (in excess of)/less than depreciation	**-**	37
Capital gains higher than profit on disposal	**-**	15
Other differences	**(3,166)**	(2,028)
Joint ventures and associate	**(150)**	(419)
Deferred tax rate adjustment	**(953)**	-
Adjustment in respect of prior years	**21**	-
Tax (credit)/charge for the period	**(11,384)**	3,107

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. Following a change to the UK future corporation tax, deferred tax has been calculated based on a corporation tax rate of 28% (2006: 30%).

8. Dividend

	2007 Per share	£'000	2006 Per share	£'000
Dividends paid during the year relating to the prior period	**1.85p**	**1,410**	1.725p	1,313
Dividends to be paid:				
Interim dividend for 2007 paid on 26 January 2008	**0.65p**	**497**	0.60p	457
Proposed final dividend for 2007	**1.30p**	**990**	1.25p	953
	1.95p	**1,487**	1.85p	1,410

The proposed final dividend will be payable on 4 July 2008 to shareholders registered at the close of business on 30 May 2008.

9. Earnings per share and net assets per share

Earnings per share have been calculated as follows:	**2007**	2006
Loss/(profit) for the year for the purposes of basic and diluted earnings per share (£'000)	**(12,503)**	15,218
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share (£'000)	**76,230**	76,102
Basic earnings per share	**(16.40)p**	20.00p
Diluted number of shares in issue re. share options (£'000)	**-**	103
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (£'000)	**76,230**	76,205
Fully diluted earnings per share	**(16.40)p**	19.97p

Weighted average number of shares in issue is calculated after excluding treasury shares of 6,167,545 (2006: 6,088,355).
On the basis that the Group has made a loss for the year, there is no dilutive effect of the outstanding options.

Net assets per share have been calculated as follows:

	Net assets		Shares in issue		Net assets per share	
	2007 £'000	2006 £'000	**2007 '000**	2006 '000	**2007 Pence**	2006 Pence
Basic						
At 31 December	**88,991**	101,860	**76,149**	76,229	**116.86**	133.62
Dilution adjustments for shares subject to option agreements:						
Issue of outstanding share options	**40**	40	**120**	120		
Diluted	**89,031**	101,900	**76,269**	76,349	**116.73**	133.47

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 2007	109,102	93,026	202,128	1,633
Additions	16,309	7,299	23,608	87
Additions through business combinations	4,875	93,382	98,257	-
Present value of head lease through business combination	-	25,771	25,771	-
Disposals	(4,835)	(36,534)	(41,369)	(166)
Decrease in present value of head leases	-	(3,440)	(3,440)	-
Decrease on revaluation	(9,245)	(15,963)	(25,208)	-
Cost or valuation at 31 December 2007	**116,206**	**163,541**	**279,747**	**1,554**
Representing assets stated at:				
Valuation	116,206	131,870	248,076	-
Present value of head leases	-	31,671	31,671	-
Cost	-	-	-	1,554
	116,206	**163,541**	**279,747**	**1,554**

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 2007	-	-	-	600
Charge for the year	-	-	-	201
Disposals	-	-	-	(128)
Depreciation at 31 December 2007	**-**	**-**	**-**	**673**
Net book value at 1 January 2007	109,102	93,026	202,128	1,033
Net book value at 31 December 2007	**116,206**	**163,541**	**279,747**	**881**
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 leases 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	83,686	192,788	-
Present value of head leases	-	9,340	9,340	-
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

99.9% of leasehold over fifty years and freehold properties, excluding the present value of head leases, were valued as at 31 December 2007 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.

	2007 £'000	2006 £'000
Allsop LLP, Chartered Surveyors	243,205	186,870
Hill Woolhouse, Chartered Surveyors	4,839	5,886
Directors valuations	32	32
	248,076	192,788
Add: Present value of headleases	**31,671**	9,340
	279,747	202,128

The historical cost of investment properties, including total capitalised interest of £5,889,000 (2006: £869,000) was as follows:

	2007		2006	
	Freehold £'000	**Leasehold over 50 years £'000**	Freehold £'000	Leasehold over 50 years £'000
Cost at 1 January	**77,402**	**46,623**	35,161	34,657
Additions (including through business combination)	**21,183**	**100,681**	43,866	11,966
Disposals	**(3,629)**	**(19,329)**	(1,625)	-
Cost at 31 December	**94,956**	**127,975**	77,402	46,623

11. Investment in joint ventures

	2007 £'000	2006 £'000
Group share of :		
Turnover	**1,228**	3,949
Profit before tax	**346**	4,705
Taxation	**1,226**	(347)
Profit after tax	**1,572**	4,358
Non-current assets	**1,746**	45,785
Current assets	**1,578**	8,246
Current liabilities	**(75)**	(4,105)
Non current liabilities	**(1,368)**	(34,663)
Net assets	**1,881**	15,263

Analytical Properties Holdings Limited (Analytical) - unlisted property investment company. The company owned 50 per cent of the issued share capital and 50 per cent of the issued 7.3 per cent loan stock of Analytical Properties Holdings Limited. The remaining 50 per cent was owned by the Bank of Scotland. Analytical is incorporated and operates in England and Wales and has issued share capital of 100 ordinary shares of £1 each (2006: 7,558,000 ordinary shares of £1 each). Analytical was managed by a board of directors with neither party having overall control. On 25 September 2007 the Company acquired Analytical's remaining 50 per cent issued share capital and has been treated as a wholly owned subsidiary from that date.

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 (2006:500,000 ordinary shares of £1 each). Dragon is managed by a board of directors with neither party having overall control.

Shares in joint ventures:	2007 £'000	2006 £'000
At 1 January	**15,263**	18,033
Share of profit after tax	**1,572**	4,358
Dividend received	**(3,234)**	(7,152)
Investment valuation	**-**	24
Transferred to Subsidiary Undertaking	**(11,720)**	-
	(13,882)	(2,770)
At 31 December	**1,881**	15,263

12. Investments in associated company

	2007 £'000	2006 £'000
Bisichi Mining PLC - listed mining and property investment company		
Group share of:		
Turnover	**6,958**	5,518
(Loss)/profit before tax	**(191)**	1,176
Taxation	**(257)**	(204)
(Loss)/profit after tax	**(448)**	972
Non current assets	**9,937**	10,876
Current assets	**2,673**	2,559
Current liabilities	**(3,527)**	(3,845)
Non current liabilities	**(2,682)**	(2,718)
Net assets	**6,401**	6,872

12. Investments in associated company continued

Shares in associate:	2007 £'000	2006 £'000
At 1 January	**6,872**	6,495
Share of (loss)/profit after tax	**(448)**	972
Equity share options	**99**	44
Currency translation	**(13)**	(541)
Dividend received	**(109)**	(98)
	(471)	377
At 31 December	**6,401**	6,872

The company owns 42 per cent (2006: 42 per cent) of the issued share capital of Bisichi Mining PLC (Bisichi), a company registered in England and Wales. Bisichi 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 participating interest. Bisichi has an independent board of directors which controls its operating and financial policies.
The market (bid) value of this investment at 31 December 2007 was £11,532,000 (2006: £10,563,000).

13. Held to maturity investments

	2007 Total £'000	2007 Unlisted shares £'000	2007 Loan Stock in joint ventures £'000	2006 Total £'000	2006 Unlisted shares £'000	2006 Loan Stock in joint ventures £'000
Cost						
At 1 January	1,834	5	1,829	3,784	5	3,779
Transferring to Subsidiary	(1,829)	-	(1,829)	-	-	-
Loan stock repaid	**-**	**-**	**-**	(1,950)	-	(1,950)
At 31 December	**5**	**5**	**-**	1,834	5	1,829

14. Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**1,533**	1,127
Amounts due from associate and joint ventures	**191**	1,280
Interest rate swap - cash flow hedges	**1,447**	-
Other receivables	**2,335**	795
Prepayments and accrued income	**1,708**	647
	7,214	3,849

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

15. Investments held for trading

	2007 £'000	2006 £'000
Market bid value of the listed investment portfolio	**5,113**	4,992
Unrealised excess of market value over cost	**1,812**	2,019
Listed investment portfolio at cost	**3,301**	2,973

All investments are listed on the London Stock Exchange.

16. Trade and other payables

	2007 £'000	2006 £'000
Trade payables	**927**	809
Amounts owed to joint ventures	**1,437**	3,550
Other taxation and social security costs	**344**	471
Other payables	**2,329**	653
Accruals and deferred income	**7,951**	5,951
	12,988	11,434

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

17. Borrowings

Current borrowings - amounts falling due within one year	2007 £'000	2006 £'000
Bank overdrafts (unsecured)	**6,250**	5,693

Non-current borrowings - amounts falling due after more than one year	2007	2006
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*	**9,753**	9,736
	21,453	21,436
Term bank loans:		
£90 million revolving credit facility repayable in 2011*	**71,694**	78,540
£70 million term bank loan repayable in 2014*	**69,719**	-
	141,413	78,540
	162,866	99,976

*The £10 million debenture and bank loans are shown after deduction of un-amortised issue costs.

Interest payable on the term bank loans is variable being based upon the London inter bank offered rate (LIBOR) 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 which are included in the financial statements at a value of £32.3 million and floating charges, plus £9.5 million of cash.

b) Long term £90 million bank revolving credit facility repayable in September 2011, secured on specific freehold and long leasehold properties which are included in the financial statements at a value of £111.4 million.

c) Long term £70 million term bank loan was negotiated in August 2007 and is repayable in November 2014. This facility is secured on specific freehold and long leasehold properties which are included in the financial statements at a value of £94.0 million.

The bank loans and debentures are secured by way of a first charge over the investment properties in the UK.

The groups objectives when managing capital are:

- To safeguard the group's ability to continue as a going concern, so that it may provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by ensuring returns are commensurate with the risk.

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.

Sensitivity analysis
As all term debt has been covered by hedged derivatives it is not considered that there is any material sensitivity for the group to changes in interest rates.

Liquidity risk
The group's policy is to minimise refinancing risk by balancing its exposure to interest risk and to refinancing risk. In effect the group seeks to borrow for as long as possible at the lowest acceptable cost. 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. Cash and cash equivalents earn interest at rates based on LIBOR in the UK. These facilities and considered adequate to meet the groups anticipated cash flow requirements for the foreseeable future.

18. Financial instruments continued

The table below analyses the group's financial liabilities into maturity groupings and also provides details of the liabilities that bear interest at fixed, floating and non-interest bearing rates.

	Less than 1 year £'000	**2-5 years £'000**	**Over 5 years £'000**	**2007 Total £'000**
Bank overdrafts (floating)	**6,250**	**-**	**-**	**6,250**
Debentures (fixed)	**-**	**-**	**21,700**	**21,700**
Bank loans (floating)*	**-**	**72,000**	**70,000**	**142,000**
Trade and other payables (non-interest)	**12,988**	**-**	**-**	**12,988**
	19,238	**72,000**	**91,700**	**182,938**

	Less than 1 year £'000	2-5 years £'000	Over 5 years £'000	2006 Total £'000
Bank overdrafts (floating)	5,693	-	-	5,693
Debentures (fixed)	-	-	21,700	21,700
Bank loans (floating)	-	78,925	-	78,925
Trade and other payables (non-interest)	11,434	-	-	11,434
	17,127	78,925	21,700	117,752

The group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

*All the bank loans are fully hedged interest derivatives. Details of all hedges are shown below.

Market price risk

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

Credit Risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The group only deposits surplus cash with well-established financial institutions of high quality credit standing.

Borrowing facilities

At 31 December 2007 the Group was within its bank borrowing facilities and was not in breach of any of the covenants. Overdrafts are renewable annually. Term loan repayments are as set out below. Details of other financial liabilities are shown in notes 16 and 17.

The group has undrawn facilities of £21,000,000 (2006: £14,632,000) as follows:

	2007 £'000	2006 £'000
Overdraft	**3,000**	3,557
Term facilities expiring in two to five years	**18,000**	11,075
	21,000	14,632

Hedge profile

a) There is a hedge to cover part of the £90 million revolving credit facility, which currently covers the full £72 million drawn. It consists of a 20 year swap for £35 million with a 7 year call option in favour of the bank, taken out in November 2007, at 4.76 per cent and a 20 year swap for £40 million with a 7 year call option in favour of the bank, taken out in December 2007, at 4.685 per cent.

b) There is a hedge to cover the £70 million term bank loan drawn. It consists of a 20 year swap for £70 million with a 7 year call option in favour of the bank, taken out in November 2007, at 4.76 per cent.

During the year the net amount recognised in equity was £1,001,000 being the fair value of hedging instrument less deferred tax thereon. The hedge was fully effective in the year.

Capital structure

The group sets the amount of capital in proportion to risk. It ensures that the capital structure is commensurate to the economic conditions and risk characteristics to the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the capital structure, vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group considers its capital to include share capital, share premium, capital redemption reserve, translation reserve, other reserves and retained earnings, but excluding the fair value reserve.

18. Financial instruments continued

Consistently with others in the industry, the group monitors its capital by it's debt to equity ratio (gearing levels). This is calculated as the net debt (loans less cash and cash equivalents) as a percentage of the equity. During 2007 this increased to 173.5% (2006: 89.4%) which was calculated as follows:

	2007 £'000	2006 £'000
Total debt	**169,116**	105,669
Less cash and cash equivalents	**(16,464)**	(14.555)
Net debt	**152,652**	91,114
Total equity	**87,990**	101,860
	173.5%	89.4%

The gearing increased primarily due to the acquisition of the 50% of the joint venture with the Bank of Scotland which the company did not already own. This means that the value of the bank loan in that company is now fully consolidated and included in the above figures. If the joint venture had been consolidated in 2006 the gearing would have been 125.4%. All the debt, apart from the overdrafts, are at fixed rates of interest as shown in notes 17 and 18. The group does not have any externally imposed capital requirements.

Financial assets

Financial assets are disclosed in notes 13, 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

Cash and cash equivalents all have a maturity of less than three months.

	2007 £'000	2006 £'000
Cash at bank and in hand	**16,464**	14,555

These funds are primarily invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates.
£9.5 million of the cash is secured against the 2013, 2016 and 2018 First Mortgage Debentures.

Financial liabilities maturity

Repayment of borrowings
Bank loans and overdrafts:

	2007 £'000	2006 £'000
Repayable on demand or within one year	**6,250**	5,693
Repayable between three and five years	**71,686**	-
Repayable after more than five years	**69,727**	78,540
	147,663	84,233
Debentures:		
Repayable in more than five years	**21,453**	21,436
	169,116	105,669

Certain borrowing agreements contain financial and other conditions that if contravened by the group, could alter the repayment profile.

Group undrawn banking facilities		
which expire within one year	**3,500**	1,557
which expire in three to five years	**18,000**	10,460
	21,500	12,017

18. Financial instruments continued

Interest rate risk and hedge profile

Fixed rate borrowings	**21,700**	21,700
Floating rate borrowings		
- Subject to interest rate swap	**145,000**	-
- Subject to interest rate collar	**-**	36,000
- Subject to interest rate cap	**-**	4,000
- Not hedged	**3,250**	44,618
	169,950	106,318
Average fixed interest rate	**9.69%**	9.69%
Weighted average swapped interest rate	**5.59%**	-
Weighted average cost of debt on overdrafts, bank loans and debentures	**6.14%**	6.87%
Average period for which borrowing rate is fixed	**11.5 years**	12.5 years
Average period for which borrowing rate is swapped	**19.9 years**	-
The swapped interest rate have calls by the bank	**6.9 years**	-

The group's floating rate debt bears interest based on LIBOR for the term bank loans and Bank base rate for the overdrafts.

Total financial assets and liabilities

The group's financial assets and liabilities and their fair values are as follows:

	2007 Fair value £'000	**2007 Carrying value £'000**	2006 Fair value £'000	2006 Carrying value £'000
Cash and cash equivalents	**16,464**	**16,464**	14,555	14,555
Financial assets - investments held for trading	**5,113**	**5,113**	4,992	4,992
Derivative assets	**1,447**	**1,447**	-	-
Other assets	**5,767**	**5,767**	3,849	3,849
Bank overdraft	**(6,250)**	**(6,250)**	(5,693)	(5,693)
Bank loans	**(142,000)**	**(141,413)**	(78,925)	(78,540)
Present value of head leases on properties	**(31,671)**	**(31,671)**	(9,340)	(9,340)
Other liabilities	**(12,988)**	**(12,988)**	(11,434)	(11,434)
Before debentures	**(164,118)**	**(163,531)**	(81,996)	(81,611)

Fair value of debenture stocks

Fair value of the Group's debenture liabilities:	**Book Value £'000**	**Fair Value £'000**	**2007 Fair Value adjustment £'000**	2006 Fair Value adjustment £'000
Debenture stocks	**21,700**	**25,826**	**(4,126)**	(4,419)
Tax at 30 per cent (2006: 30 per cent)			**1,238**	1,326
Post tax fair value adjustment			**(2,888)**	(3,093)
Post tax fair value adjustment - basic pence per share			**(3.79)p**	(4.06)p

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 2007 and reflect the replacement value of the financial instruments used to manage the Group's exposure to adverse rate movements.

The fair values of the debentures are based on the net present value at the relevant gilt interest rate of the future payments of interest on the debentures. The bank loans and overdrafts are at variable rates and there is no material difference between book values and fair values.

19. Deferred tax

	2007 £'000	2006 £'000
Balance at 1 January	**22,223**	11,482
Deferred tax on acquisition of subsidiary undertakings	**3,566**	7,634
Transfer to profit and loss account	**(13,105)**	3,107
Transfer to reserves	**387**	-
Balance at 31 December	**13,071**	22,223
The deferred tax balance comprises the following:		
Revaluation of investment properties	**12,801**	22,198
Revaluation of investments held for trading	**-**	607
Accelerated capital allowances	**1,306**	1,573
Short-term timing differences	**208**	26
	14,315	24,404
Loss relief	**(1,244)**	(2,181)
Provision at end of period	**13,071**	22,223

The directors consider the temporary differences arising in connection with the interests in associate and joint ventures are insignificant. There is no time limit in respect of the group tax loss relief.

20. Share capital

	Number of ordinary 10p shares 2007	Number of ordinary 10p shares 2006	2007 £'000	2006 £'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)	**(6,167,545)**	(6,088,355)	**(617)**	(609)
"Issued share capital" for reporting purposes	**76,149,427**	76,228,617	**7,615**	7,623

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

Treasury shares

	Date	Price. excl. costs	Number or ordinary 10p shares 2007	Number or ordinary 10p shares 2006	Cost/issue value 2007 £'000	Cost/issue value 2006 £'000
Shares held in Treasury at 1 January			**6,088,355**	6,188,119	**6,533**	6,632
Issued to meet share options exercised (Oct 06)			**-**	(30,000)	**-**	(32)
Purchase at market value (Oct 06 - 132.5p)			**-**	30,000	**-**	40
Market purchases	**Oct-07**	**100.00p**	**25,000**	-	**25**	-
Market purchases	**Oct-07**	**103.51p**	**49,030**	-	**51**	-
Issue for new share incentive plan (Jun 06 - 108.5p)			**-**	(37,120)	**-**	(40)
Issued to meet directors and staff bonuses (Nov 06 - 119.5p)	**Dec-07**	**107.25p**	**(244,840)**	(62,644)	**(262)**	(67)
Market purchases	**Dec-07**	**80.00p**	**250,000**	-	**202**	-
Shares held in Treasury at 31 December			**6,167,545**	6,088,355	**6,549**	6,533

20. Share capital continued

Share Option Schemes

Employees' share option scheme (Approved scheme)

At 31 December 2007 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 2007 is as follows:

		Changes during year			
	At 1 January 2007	Options exercised	Options granted	Options lapsed	**At 31 December 2007**
Shares issued to date	2,337,604	-	-	-	**2,337,604**
Options granted which have not been exercised	70,000	-	-	-	**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	3,957,559	-	-	-	**3,957,559**

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 2007 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 conforms to institutional shareholder guidelines and best practice provisions.

A summary of the shares allocated and options issued under the scheme up to 31 December 2007 is as follows:

		Changes during year			
	At 1 January 2007	Options exercised	Options granted	Options lapsed	**At 31 December 2007**
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 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 to (by) related party £'000	Cash advanced to (by) related party £'000
Related party:			
Dragon Retail Properties Limited			
Current account	-	57	-
Loan account	-	(1,438)	162
Bisichi Mining PLC			
Current account	293 (i)	134	-
Directors and key management			
M A Heller and J A Heller	(16) (ii)	-	-
H D Goldring (Delmore Asset Management Limited)	(15) (iii)	-	-
Totals at 31 December 2007	**262**	**(1,247)**	**162**
Totals at 31 December 2006	1,159	(2,245)	(4,550)

Nature of costs recharged - (i) Management fees (ii) Property management fees (iii) 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.

Analytical Property Holdings Limited (joint venture)
Analytical Property Holdings Limited (Analytical) was 50 per cent owned by the company and 50 per cent by the Bank of Scotland. The company acquired the remaining 50% from the Bank of Scotland on 25 September 2007 and Analytical is since treated as a wholly owned subsidiary.

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 (2006: £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, Metroc Limited, Penrith Retail Limited, Shop.com Limited, South Yorkshire Property Trust Limited, Wasdon Investments Limited, Wasdon (Dover) Limited, and Wasdon (Leeds) Limited.

In addition the company received management fees of £40,000 (2006: £40,000) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust.

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 (2006: £75,000) for services.

The directors are considered to be the only key management personnel and their remunerations including employers national insurance for the year was £2,346,000 (2006: £2,259,000). All other disclosures required including interest in share options 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 48 (2006: 47).

	2007 £'000	2006 £'000
Staff costs during the year were as follows:		
Salaries and other costs	**2,773**	2,727
Social security costs	**376**	348
Pension costs	**471**	298
	3,620	3,373

23. Capital Commitments

	£'000	£'000
Commitments to capital expenditure contracted for at the year end	**6,755**	-

The group's share of capital commitments of joint ventures at the year end amounted to £Nil (2006: £8.3 million)

24. Acquisition of Analytical Properties Holdings Limited-balance of 50 per cent of share capital

As the Group now owns 100 per cent of Analytical Properties Holdings Limited (APHL), it has been accounted for as a business combination. The Group acquired the remaining 50 per cent of the issued share capital of APHL for a consideration of £11.87m, including costs. The original holding of 50 per cent was treated as a joint venture previously and as it was acquired on the formation of APHL, there is no goodwill relating to this ownership.

Purchase consideration:	**£'000**
Cash paid - balance of 50 per cent ordinary shares	11,793
Direct costs relating to the acquisition	82
Total net cost of acquisition	**11,875**
Fair value of net assets acquired-50 per cent	**(11,702)**
Goodwill (note 6)	**173**

	Book value at acquisition £'000	**Fair Value adjustments £'000**	**Fair Value of acquisition £'000**
Net assets at fair value:			
Investment properties	97,092	1,165	98,257
Cash and cash equivalents	3,958	-	3,958
Debtors	2,071	40	2,111
Current liabilities	(7,687)	437	(7,250)
Non current liabilities	(69,667)	(437)	(70,104)
Deferred tax	-	(3,569)	(3,569)
	25,767	**(2,364)**	**23,403**

The results of Analytical Properties Holdings Limited (APHL) from the date of acquisition (25 September 2007) to 31 December 2007 are set out below:

	Results for APHL from 25 September 2007 to 31 December 2007 £'000	**Results for the Group excluding APHL £'000**	**Results for the Group for the year ended 31 December 2007 £'000**
Revenue	2,912	10,120	13,032
Loss before tax	(10,099)	(13,788)	(23,887)
Taxation	3,641	7,743	11,384
Loss after tax	**(6,458)**	**(6,045)**	**(12,503)**

Group revenue would have been £15,302,000 and the group loss after tax would have been £10,724,000, if APHL had been acquired on 1 January 2007.

25. Commitments under operating leases

Operating leases

At 31 December 2007 the group has total of future minimum commitments under non-cancellable operating leases on land and buildings as follows:

	2007 £'000	2006 £'000
Within one year	**334**	334
In the second to fifth years inclusive	**1,336**	1,336
After five years	**612**	946
	2,282	2,616

Operating lease payments represent rentals payable by the group for its office premises.
The leases are for an average term of 8 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**	
Accounts payable under finance leases:	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Within one year	**1,847**	478	**1,847**	478
In the second to fifth years inclusive	**7,389**	1,912	**6,908**	1,804
After five years	**233,762**	45,438	**22,916**	7,058
	242,998	47,828	**31,671**	9,340
Future finance charges on finance leases	**(211,327)**	(38,488)	**-**	-
Present value of finance lease liabilities	**31,671**	9,340	**31,671**	9,340

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.

The Group leases out its investment properties to tenants under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2007 £'000	2006 £'000
Within one year	**10,691**	6,631
In the second to fifth years inclusive	**38,272**	21,444
After five years	**55,734**	20,404
	104,697	48,479

26. Contingent Liabilities and post balance sheet events

There were no contingent liabilities at 31 December 2007 (2006:£nil).

Since the year end the group acquired a property in Chesterfield for £8.7m.

27. Company financial statements

Company balance sheets at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	27(3)	**103,151**	138,294
Other investments:			
Associated company	27(4)	**358**	358
Subsidiaries and others	27(4)	**44,490**	30,786
	27(4)	**44,848**	31,144
		147,999	169,438
Current assets			
Debtors	27(5)	**36,555**	30,020
Investments	27(6)	**5,113**	4,992
Bank balances		**12,334**	13,510
		54,002	48,522
Creditors			
Amounts falling due within one year	27(7)	**(22,158)**	(18,239)
Net current assets		**31,844**	30,283
Total assets less current liabilities		**179,843**	199,721
Creditors			
Amounts falling due after more than one year	27(8)	**(93,147)**	(99,976)
Provisions for liabilities and charges	27(9)	**(1,337)**	(2,053)
Net assets		**85,359**	97,692
Capital and reserves			
Share capital	27(10)	**8,232**	8,232
Share premium account	27(11)	**5,236**	5,236
Capital redemption reserve	27(11)	**47**	47
Revaluation reserve	27(11)	**31,968**	62,510
Fair value reserve	27(11)	**688**	-
Treasury shares	27(10)	**(6,549)**	(6,533)
Retained earnings	27(11)	**45,737**	28,200
Shareholders' funds		**85,359**	97,692

These financial statements were approved by the board of directors and authorised for issue on 31 March 2008 and signed on its behalf by:

M A Heller — *Director*

M C Stevens — *Director*

27.1. Company accounting policies

The following are the main accounting policies of the company:

Basis of accounting
The financial statements have been prepared under the historical cost convention as modified to include the revaluation of freehold and leasehold properties and in accordance with applicable accounting standards. All accounting policies applied are consistent with those of prior periods except as noted below.

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).

Depreciation or amortisation is only one of the many factors reflected in the annual revaluation and the amount that might otherwise have been shown cannot be separately identified or quantified.

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 per cent per annum, on a 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. Analytical Properties Holdings Limited’s remaining 50 per cent issued share capital was acquired on 25 September 2007, and is since treated as a wholly owned subsidiary.

b) Investments held as current assets:
Investments held for trading are included in current assets and are revalued to 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.

27.1. Company accounting policies continued

Financial Instruments

Bank loans and overdrafts

Bank loans and overdrafts are included in creditors on the company 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.

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.

Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction i.e. an interest payment, the element of the gain or loss on the derivative that is an effective hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement i.e. when interest income or expense is recognised.

The gain or loss at each fair value remeasurement is recognised immediately in the group income statement when the criteria set out in FRS 26 allowing the movements to be shown in equity have not been met.

Debtors

Debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Creditors

Creditors are not interest bearing and are stated at their nominal value.

Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control as established by contractual agreement, are included at cost.

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 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 prepayments or accruals at the balance sheet date.

27.2. Profit for the financial year

The company's profit for the year was £1,334,000 (2006: £5,837,000). 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

		Investment Properties		Office Equipment and motor vehicles
	Total £'000	Freehold £'000	Long leasehold £'000	£'000
Cost or valuation at 1 January 2007	138,900	66,628	70,685	1,587
Additions	16,136	15,876	173	87
Disposals	(38,244)	(1,635)	(36,534)	(75)
Decrease on revaluation	(12,902)	(7,528)	(5,374)	-
Cost or valuation at 31 December 2007	**103,890**	**73,341**	**28,950**	**1,599**
Representing assets stated at:				
Valuation	102,291	73,341	28,950	-
Cost	1,599	-	-	1,599
	103,890	**73,341**	**28,950**	**1,599**
Depreciation at 1 January 2007	606	-	-	606
Charge for the year	181	-	-	181
Disposals	(48)	-	-	(48)
Depreciation at 31 December 2007	**739**	**-**	**-**	**739**
Net book value at 1 January 2007	138,294	66,628	70,685	981
Net book value at 31 December 2007	**103,151**	**73,341**	**28,950**	**860**

99.9% of freehold and long leasehold properties were valued as at 31 December 2007 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 decrease in book value was transferred to revaluation reserve.

	2007 £'000	2006 £'000
Allsop LLP, Chartered Surveyors	**96,373**	131,395
Hill Woolhouse, Chartered Surveyors	**5,886**	5,886
Directors' valuations	**32**	32
	102,291	137,313

The historical cost of investment properties, including total capitalised interest of £1,060,000 (2006 : £869,000) was as follows:

	Freehold £'000	Long Leasehold £'000
Cost at 1 January 2007	39,853	34,912
Additions	15,876	173
Disposals	(1,199)	(19,329)
Cost at 31 December 2007	**54,530**	**15,756**

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	Loan stock in subsidiary company £'000	Shares in joint ventures £'000	Loan Stock in joint ventures £'000	Shares in associate £'000	Unlisted shares £'000
At 1 January 2007	31,144	25,009	-	3,943	1,829	358	5
Transferred to Subsidiary Undertaking	-	3,779	1,829	(3,779)	(1,829)	-	-
Additions	13,704	11,875	1,829	-	-	-	-
At 31 December 2007	**44,848**	**40,663**	**3,658**	**164**	**-**	**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	% Held by company	% Held by group
Analytical Investments Limited	Dormant	100	100
London & African Investments Limited	Dormant	100	100
London & Associated Securities Limited	Dormant	100	100
London & Associated Limited	Dormant	100	100
LAP Ocean Holdings Limited	Property investment	100	100
APL Ocean Limited	Property investment	-	100
Atlantic Properties Limited	Property investment	-	100
Antiquarius Limited	Property investment	-	100
Atlantic Antiques Centres Limited	Property letting	-	100
Atlantic Speciality Retail Limited	Property investment	-	100
Atlantic Management Limited	Property investment	-	100
Atlantic Venture Investments Limited	Property investment	-	100
Ski Investments Limited	Property investment	-	100
Atlantic Estates (London) Limited	Property investment	-	100
Analytical Properties Holdings Limited	Property investment	100	100
Analytical Properties Limited	Property investment	-	100
Analytical Properties (St Helens) Limited	Property investment	-	100
Analytical Portfolios Limited	Dormant	-	100

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.

27.5. Debtors

	2007 £'000	2006 £'000
Trade debtors	578	661
Amounts owed from subsidiary companies	34,086	27,171
Amounts due from associate and joint ventures	191	1,280
Corporation tax	-	190
Interest rate swap - cash flow hedges	956	-
Other debtors	40	211
Prepayments and accrued income	704	507
	36,555	30,020

27.6. Investments

	2007 £'000	2006 £'000
Market value of the listed investment portfolio	**5,113**	4,992
Unrealised excess of market value over cost	**1,812**	2,019
Listed investment portfolio at cost	**3,301**	2,973

All investments are listed on the London Stock Exchange.

27.7. Creditors: Amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdrafts (unsecured)	**6,250**	5,692
Amounts owed to subsidiary companies	**7,582**	2,451
Amounts owed to joint ventures	**1,438**	3,550
Corporation tax	**1,586**	-
Other taxation and social security costs	**324**	451
Other creditors	**466**	772
Accruals and deferred income	**4,512**	5,323
	22,158	18,239

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

	2007 £'000	2006 £'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*	**9,753**	9,736
	21,453	21,436
Term bank loans:		
Repayable after more than two years	**71,694**	78,540
	93,147	99,976

*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.

	2007 £'000	2006 £'000
Repayment of borrowings:		
Bank loans and overdrafts:		
Repayable within one year	**6,250**	5,692
Repayable between three and five years	**71,694**	78,540
	77,944	84,232
Debentures:		
Repayable in more than five years	**21,453**	21,436
	99,397	105,668

Hedge profile

There is a hedge to cover part of the £90 million revolving credit facility, which currently covers the full £72 million drawn. It consists of a 20 year swap for £35 million with a 7 year call option in favour of the bank, taken out in November 2007, at 4.76 per cent and a 20 year swap for £40 million with a 7 year call option in favour of the bank, taken out in December 2007, at 4.685 per cent.

During the year the net amount recognised in equity was £688,000 being the fair value of the hedging instrument less deferred tax thereon. The hedge was fully effective in the year.

Liquidity

The table below analyses the company's financial liabilities into maturity groupings and also provides details of the liabilities that bear interest at fixed, floating and non-interest bearing rates.

	Less than 1 year £'000	2-5 years £'000	Over 5 years £'000	2007 Total £'000
Bank overdrafts (floating)	**6,250**	**-**	**-**	**6,250**
Debentures (fixed)	**-**	**-**	**21,700**	**21,700**
Bank loans (floating)*	**-**	**72,000**	**-**	**72,000**
Trade and other payables (non-interest)	**15,908**	**-**	**-**	**15,908**
	22,158	**72,000**	**21,700**	**115,858**

27.8. Creditors: Amounts falling due after more than one year continued

	Less than 1 year £'000	2-5 years £'000	Over 5 years £'000	2006 Total £'000
Bank overdrafts (floating)	5,692	-	-	5,692
Debentures (fixed)	-	-	21,700	21,700
Bank loans (floating)	-	78,925	-	78,925
Trade and other payables (non-interest)	12,547	-	-	12,547
	18,239	78,925	21,700	118,864

The company would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

*The bank loans are fully hedged interest derivatives. Details of the hedges are shown above.

Total financial assets and liabilities

The company's financial assets and liabilities and their fair values are as follows:

	2007 Fair value £'000	2007 Carrying value £'000	2006 Fair value £'000	2006 Carrying value £'000
Cash and cash equivalents	**12,334**	**12,334**	13,510	13,510
Investments	**5,113**	**5,113**	4,992	4,992
Derivative assets	**956**	**956**	-	-
Other assets	**35,599**	**35,599**	30,020	30,020
Bank overdraft	**(6,250)**	**(6,250)**	(5,692)	(5,692)
Bank loans	**(72,000)**	**(71,694)**	(78,925)	(78,540)
Other liabilities	**(15,908)**	**(15,908)**	(12,547)	(12,547)
Before debentures	**(40,156)**	**(39,850)**	(48,642)	(48,257)

Additional details of borrowings and financial instruments are set out in notes 17 and 18.

27.9. Provisions for liabilities and charges

	2007 £'000	2006 £'000
Deferred Taxation		
Balance at 1 January	**2,053**	1,904
Transfer to profit and loss account	**(716)**	149
Balance at 31 December	**1,337**	2,053

No provision has been made for the approximate taxation liability at 28 per cent (2006: 30 per cent) of £4,484,000 (2006: £13,270,000) which would arise if the investment properties were sold at the stated valuation. Following the change to the UK future corporation tax, deferred tax has been calculated based on a corporation tax rate of 28% (2006: 30%).

The deferred tax balance comprises the following:		
Accelerated capital allowances	**1,059**	1,420
Revaluation of investments held for trading	**-**	607
Fair value of interest derivatives	**268**	-
Short-term timing differences	**10**	26
Provision at end of period	**1,337**	2,053

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	Fair value reserve £'000	Retained earnings £'000
Balance at 1 January 2007	5,236	47	62,510	-	28,200
Decrease on valuation of investment properties	-	-	(12,902)	-	-
Retained profit for year	-	-	-	-	1,334
Dividends paid in year	-	-	-	-	(1,410)
Loss on disposal of Treasury Shares	-	-	-	-	(27)
Fair value of interest derivatives(net of deferred tax)	-	-	-	688	-
Transfer of realised revaluation profit	-	-	(17,640)	-	17,640
Balance at 31 December 2007	**5,236**	**47**	**31,968**	**688**	**45,737**

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	2007 £'000	2006 £'000
Commitments to capital expenditure contracted for at the year end	**4,693**	-

27.14. Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2007 £'000	2006 £'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 amount to £294,000 (2006: £425,000), the leases on which expire in more than fifty years.

27.15. Contingent liabilities

There were no contingent liabilities at 31 December 2007 (2006: nil).

five year financial summary

	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	IFRS Restated 2004 £m	UK GAAP 2003 £m
Portfolio size					
Investment properties-group^	**248**	193	117	108	94
Investment properties-joint ventures	**3**	91	140	127	111
Investment properties-associate	**15**	17	15	15	13
	266	301	272	250	218
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**112.71**	50.70	2.72	8.38	51.59
Disposals at book value	**(41.37)**	(1.62)	(6.70)	(5.05)	(16.82)
Capital Expenditure	**9.15**	5.13	3.34	2.16	52.14
	80.49	54.21	(0.64)	5.49	86.91
Consolidated income statement	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures	**14.26**	11.84	12.39	12.96	11.36
Less: attributable to joint venture partners	**(1.23)**	(3.95)	(4.52)	(5.20)	(3.47)
Group rental income	**13.03**	7.89	7.87	7.76	7.89
(Loss)/profit before interest and tax	**(16.59)**	21.76	21.48	21.98	8.13
(Loss)/profit before tax	**(23.89)**	18.32	17.89	18.62	2.80
Taxation	**(11.38)**	3.11	3.04	2.00	0.40
(Loss)/profit attributable to shareholders	**(12.50)**	15.22	14.85	16.62	2.40
(Loss)/earnings per share - basic	**(16.40p)**	20.00p	18.83p	20.34p	2.98p
(Loss)/earnings per share - fully diluted	**(16.40p)**	19.97p	18.79p	20.23p	2.97p
Dividend per share	**1.95p**	1.85p	1.725p	1.65p	1.525p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders funds	**88.99**	101.86	88.34	80.60	71.89
Adjustment of current asset investments to market value	**-**	-	-	-	0.87
Consolidated net assets*	**88.99**	101.86	88.34	80.60	72.76
Net borrowings*	**147.54**	86.12	44.14	34.33	30.82
Net gearing*	**165.79%**	84.55%	49.97%	42.59%	42.36%
Net assets per share - basic	**116.86p**	133.62p	116.04p	98.82p	89.39p
- fully diluted	**116.73p**	133.47p	115.88p	98.14p	88.58p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Net cash inflow from operating activities	**3.97**	3.44	3.88	2.60	9.64
Capital investment and financial investment	**9.84**	(26.86)	0.69	(5.36)	8.52

Notes: ^Excluding the present value of head leases
* Including the investment portfolio at market value

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 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 Eighth Annual General Meeting of London & Associated Properties PLC (the "Company") will be held at the RAC Club, 89 Pall Mall, London SW1Y 5HS on Wednesday 11 June 2008 at 10.30 a.m. for the transaction of the following business:

To consider and, if thought fit, pass the following resolutions, as ordinary resolutions:

1 To receive and adopt the Company's annual accounts for the year ended 31 December 2007 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 2007. **(Resolution 2)**

3 To declare and approve a final dividend of 1.3p per share. **(Resolution 3)**

4 To re-elect as a director Mr H D Goldring. **(Resolution 4)**

5 To re-elect as a director Mr M C Stevens. **(Resolution 5)**

6 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 6)**

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

To consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

8 That:

8.1 the directors shall have power under section 95 of the Companies Act 1985 (the "1985 Act") to allot equity securities (within the meaning of section 94 of the 1985 Act) for cash under the authority conferred upon them for the purposes of section 80 of the 1985 Act by a resolution passed on 5 June 2007 as if section 89(1) of the 1985 Act did not apply to any such allotment;

8.2 this power shall be limited:

8.2.1 to the allotment of equity securities (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares of 10p each in the Company ("Ordinary Shares") 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;

8.2.2 to the allotment (otherwise than pursuant to paragraph 8.2.1 of this resolution) of equity securities having, in the case of relevant shares (as defined for the purposes of section 89 of the 1985 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);.

8.3 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 1985 Act as if in paragraph 8.1 the words "under the authority conferred upon them for the purposes of section 80 of the 1985 Act by a resolution passed on 5 June 2007" were omitted; and

8.4 (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 8)**

9 That the Company be, and it is hereby, generally and unconditionally authorised for the purpose of section 166 of the 1985 Act to make one or more market purchases (within the meaning of section 163(3) of the 1985 Act) of ordinary shares of 10 pence each in the capital of the Company upon such terms and in such manner as the directors of the Company shall determine, provided that:

9.1 the maximum aggregate number of ordinary shares authorised to be purchased is 8,231,697;

9.2 the minimum price which may be paid for such ordinary shares is 10 pence per share (exclusive of expenses);

9.3 the maximum price (exclusive of expenses) which may be paid for an ordinary share cannot be more than an amount equal to the higher of:

9.3.1 an amount equal to 105 per cent. of the average of the closing middle market price for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day the purchase is made; and

9.3.2 an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue or venues where the purchase is carried out;

9.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2009 or 15 months from the date of the Annual General Meeting at which this resolution is passed, whichever is the earlier; and

9.5 the Company may make a contract or contracts to purchase ordinary shares under this authority 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 9)**

10 That with effect on and from 1 October 2008, the articles of association of the Company be amended by:

10.1 inserting the following new definitions in article 1:

““the 2006 Act” means the Companies Act 2006”

““the Board” means the Board of Directors for the time being of the Company or the Directors present at a duly convened meeting of the Directors at which a quorum is present”

““the Statutes” means the 1985 Act, the Companies Act 1989 and the 2006 Act and every statute (including any orders, regulations or other subordinate legislation made thereunder) for the time being in force concerning companies and so far as they apply to the Company”;

10.2 redefining “the Act” in article 1 as “the 1985 Act”, with all references to “the Act” in the articles of association of the Company being deemed to be replaced with references to “the 1985 Act”; and

10.3 deleting the existing articles 96, 97 and 98 and adding the following new articles 96, 97, 98 and 98A:

“Directors Interests
96

(A) A Director who is in any way, whether directly or indirectly, interested in any transaction or arrangement that has been entered into by the Company or any proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other Directors to the extent required by, and in accordance with, the 2006 Act.

(B) Before any situation arises in which a Director has, or can have, a direct or indirect interest or duty that conflicts or possibly may conflict with the interests of, or his duty to, the Company (other than in relation to a transaction or arrangement with the Company), he shall declare the nature and extent of his interest or duty to the other Directors (at a meeting of the Directors or by notice to the Directors in accordance with section 184 or 185 of the 2006 Act or otherwise). If a declaration proves to be, or becomes, inaccurate or incomplete, a further declaration must be made in accordance with this Article. A Director need not declare an interest or duty under this Article 96(B):

(i) if the Director is not aware of it or the situation in question (and, for this purpose, a Director is treated as being aware of matters of which he ought reasonably to be aware if the situation cannot reasonably be regarded as likely to give rise to a conflict);

(ii) if, or to the extent that, the other Directors are already aware of it (and, for this purpose, the other Directors are treated as being aware of anything of which they ought reasonably to be aware); or

(iii) if, or to the extent that, it concerns terms of his service contract that have been or are to be considered by a meeting of the Directors or by a committee of the Directors appointed for the purpose under these Articles.

(C) Subject to the Statutes and compliance with Article 96(A) or 96(B) (as applicable):

(i) a Director, notwithstanding his office, may enter into, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is interested, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise;

(ii) a Director, notwithstanding his office, may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period (subject to the Statutes) and upon such terms as the Board may decide and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, either in addition to or in lieu of any remuneration under any provision of these Articles;

(iii) a Director, notwithstanding his office, may be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the company may be interested or which the Company may promote;

(iv) the Board may cause the voting rights conferred by the shares in any company held or owned by the Company to be exercised in such manner in all respects as they think fit (including without limitation the exercise of such voting rights in favour of any resolution appointing the Directors or any of them as directors or officers of (or to hold any other position in) such company, or voting in favour of or providing for the payment of any benefit to the directors or officers of, or holders of any other position in, such company); and

(v) a Director, notwithstanding his office, may act by himself or his firm in a professional capacity for the Company (except as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director,

and no Director shall, by reason of his holding office as a Director (or of the fiduciary relationship established by his holding that office) be liable to account to the Company for any remuneration, profit or other benefit received by him as a result of any interest permitted by this Article 96(C) and no contract, transaction or arrangement shall be liable to be avoided by reason of any Director having any interest permitted by this Article 96(C).

97

(A) Any matter (a “Relevant Matter”) which would otherwise constitute or give rise to a breach by a Director of his duty under the 2006 Act to avoid a situation in which he has, or could have, a direct or indirect interest or duty that conflicts or possibly may conflict with the interests of, or his duty to, the Company (including any breach which would arise by virtue of his appointment) may, if it has been declared to the other Directors in accordance with Article 96, be authorised by the Directors to the fullest extent permitted by law in accordance with this Article.

(B) Any Director may propose that a Relevant Matter be authorised by the Directors. Such proposal and any authorisation given by the Directors shall be effected in the same way as any other matter may be proposed to, and resolved upon by, the Directors in accordance with the provisions of these Articles, except that no such authorisation shall be effective unless:

(i) the quorum requirement at any meeting at which the Relevant Matter is considered is met without counting the Director concerned or any other interested Director; and

(ii) the Relevant Matter is agreed to without the Director concerned or any other interested Director voting (or would have been agreed to if their votes had not been counted).

The Director concerned and any other interested Director may, if the other Directors so decide, be excluded from any Board meeting while the Relevant Matter is under consideration. The Directors may withdraw or vary any authorisation given in respect of a Relevant Matter at any time.

(C) In giving authorisation in accordance with this Article 97, the Directors may impose, vary or remove such terms and conditions as they may think fit from time to time (whether at the time of giving the authorisation or subsequently) including, without limitation:

(i) applying to the Director concerned a strict duty of confidentiality to the Company for any confidential information of the Company relating to the Relevant Matter (without prejudice to the Director's general obligations of confidentiality);

(ii) specifying that the Director concerned shall be excluded from participation in discussion (whether at meetings of the Board or otherwise) or receipt of documents or information relating to the Relevant Matter; and

(iii) specifying whether or not the Director shall be entitled to vote or be counted in the quorum in relation to any resolution relating to the Relevant Matter.

The Director concerned must act in accordance with any terms and conditions specified by the Directors in accordance with this Article.

(D) If a Relevant Matter has been authorised by the Directors in accordance with this Article 97, then (subject to such terms and conditions, if any, as the Directors may think fit to impose from time to time, and subject always to their right to withdraw or vary such authorisation), the Director concerned shall be entitled, without breaching the general duties he owes to the Company by virtue of sections 171 to 177 of the 2006 Act:

(i) to exclude himself from participation in discussion (whether at meetings of the Board or otherwise) or receipt of documents or information relating to the Relevant Matter; and/or

(ii) not to disclose to the Company, or use in relation to the Company's affairs, information which he obtains or has obtained otherwise than through his position as a Director of the Company which relates to the Relevant Matter and which is confidential to a third party, where to do so would amount to a breach of confidence or breach of duty to the third party.

(E) No Director shall, by reason of his office as Director of the Company (or by reason of the fiduciary relationship established by holding that office), be liable to account to the Company for any benefit which he derives from any Relevant Matter which has been authorised by the Directors in accordance with this Article 97 and no contract, transaction or arrangement shall be liable to be avoided by reason of any interest of a Director which has been so authorised.

(F) This Article 97 does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.

(G) For the purposes of this Article 97 a conflict of interest includes a conflict of interest and duty and a conflict of duties.

98

(A) Save as otherwise provided in accordance with these Articles, a Director shall not vote (or be counted in the quorum) in respect of any transaction or arrangement or any other proposal in which he has a material interest which (together with any interest of any person connected with him within the meaning of section 252 of the 2006 Act) may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted.

(B) The prohibition in Article 98(A) shall not apply and a Director may (unless otherwise prohibited under these Articles) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

(i) any transaction, arrangement or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

(ii) the giving of any guarantee, security or indemnity in respect of:

(1) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or

(2) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(iii) any issue or offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;

(iv) any transaction or arrangement concerning any other company in which he is interested, directly or indirectly, and whether as an officer, creditor or shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(v) any contract or arrangement or other proposal concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefit scheme or share scheme for the benefit of employees of the Company and/or any subsidiary undertaking and which either (i) has been approved, or is conditional upon approval, by the Board of the Inland Revenue for taxation purposes or (ii) does not award him any privilege or benefit not awarded to the employees to whom the scheme relates;

(vi) the purchase or maintenance of insurance either for or for the benefit of any Director or persons who include Directors.

(C) Subject to the Statutes, the Company may by ordinary resolution suspend or relax the restrictions in Article 98(A) to any extent or ratify any transaction or other arrangement not duly authorised by reason of a contravention of that Article.

(D) A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

(E) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under Article 98(B)(iv)) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(F) If any question arises at any meeting as to whether an interest of a Director may reasonably be regarded as likely to give rise to a conflict of interest or as to the entitlement of any Director to vote, and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting (or, if the Director concerned is the Chairman, to the other Directors at the meeting) and his ruling in relation to any Director other than himself (or as the case may be, the ruling of the majority of the other Directors) shall be final and conclusive, except in a case where the nature or extent of the interest of the Director concerned, so far as known to him, has not been declared to the other Directors in accordance with Article 96.

98A

For the purposes of Articles 96 to 98, an interest of a person who is connected with a Director (within the meaning of section 252 of the 2006 Act) shall be treated as an interest of the Director and, in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has."

11 That: **(Resolution 10)**

11.1 the Company may use electronic means to convey any document or information to its shareholders and for the purposes of this resolution 11.1 electronic means" and "shareholders" have the same meanings respectively as they have for the purposes of paragraph 6.1.8 of the Disclosure Rules and Transparency Rules made by the Financial Services Authority;

11.2 the Company may send or supply any document or information that is required or authorised to be sent or supplied to a shareholder or any other person by the Company:

(a) by a provision of the Companies Acts (as defined in Section 2 of the Companies Act 2006 (the "2006 Act")); or

(b) pursuant to the articles of association of the Company or pursuant to any other rules or regulations to which the Company may be subject,

by making it available on a website;

(c) the provisions of the 2006 Act which apply when sending or supplying a document or information required or authorised to be sent or supplied by the Companies Acts (as so defined) by making it available on a website shall, the necessary changes having been made, also apply when any document or information which is required or authorised to be sent or supplied by the articles of association of the Company or any other rules or regulations to which the Company may be subject, is sent or supplied by making it available on a website; and

(d) this resolution shall supersede any provision in the articles of association of the Company to the extent that it is inconsistent with this resolution. **(Resolution 11)**

Carlton House
22a St James's Square
London SW1Y 4JH
Registered in England & Wales – Number 341829
9 May 2008

By order of the board
Michael Stevens
Secretary

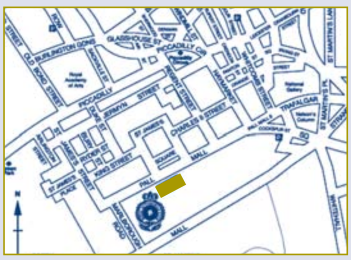
Notes:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Registrars on 0871 664 0300 (Calls cost 10p per minute plus network extras).
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 10.30 a.m. on 9 June 2008.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not preclude a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 10.30 a.m. on 9 June 2008 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 8 May 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 76,149,427 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 8 May 2008 are 76,149,427.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited, (the operator of the CREST system), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID Number RA 10) by 10.30 a.m. on 9 June 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
13. The following documents will be available for inspection from 10.15 a.m. on the day of the meeting at the place of the Annual General Meeting until the close of the meeting:

    13.1 A register in which are recorded all transactions of each director and of their family interests in the share capital of the Company;

    13.2 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; and

    13.3 A copy of the articles of association of the Company marked to show the changes being proposed by resolution 10.



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 the chairman of the meeting as my/our proxy or:

*

in respect of my/our voting entitlement* to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Wednesday 11 June 2008 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.

*Please tick here if this proxy appointment is one of multiple appointments being made**
**For the appointment of more than one proxy, please refer to Explanatory Note 2 below.*

Resolutions	For	Against	Vote Withheld
Ordinary resolutions			
1 To receive and adopt the company's annual accounts for the year ended 31 December 2007 together with the directors' reports and the auditors' reports on those accounts.			
2 To approve the remuneration report for the year ended 31 December 2007.			
3 To declare and approve a final dividend of 1.3p per share.			
4 To re-elect as a director Mr H D Goldring.			
5 To re-elect as a director Mr M C Stevens.			
6 To reappoint Baker Tilly UK Audit LLP as auditors.			
7 To authorise the directors to determine the remuneration of the auditors.			
Special resolutions			
8 To empower the directors to disapply statutory pre-emption rights.			
9 To authorise the company to make market purchases of its own shares.			
10 To amend the articles of association of the company.			
11 To enable the company to communicate electronically via its website.			

Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as their proxy to exercise all or any of their rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the chairman, please insert the name of your chosen proxy holder in the space provided (see above). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement, (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)
2. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting Capita Registrars' helpline on 0871 664 0300 (Calls cost 10p per minute plus network extras) or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. Please indicate with an X how you wish your votes to be cast. Any alterations made to this form should be initialled.
4. The "vote withheld" option is provided to enable you to abstain on any particular resolution. However it should be noted that 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.
5. 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.
6. If the appointer is a corporation this proxy should be executed under the common seal of such corporation or signed on its behalf by an attorney or officer duly authorised. In the case of an individual this proxy should be signed by the appointee or his attorney.
7. 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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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.
8. 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.
9. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. The completion of this form will not preclude a member from attending the meeting and voting in person.

Full Name (BLOCK CAPITALS PLEASE)

Address

Signed this **day of** **2008** (Signature)

Cut out along dotted line

Second Fold

BUSINESS REPLY SERVICE
Licence No MB 122

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Capita Registrars (Proxies)
PO Box 25
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4BR

First Fold

Third Fold

Tuck inside facing flap

design **www.sg-design.co.uk**
photography **Palmer Aldritch**
print **Pegasus Colourprint**

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