LONDON & ASSOCIATED PROPERTIES PLC
ANNUAL REPORT 2009

LONDON & ASSOCIATED PROPERTIES PLC ANNUAL REPORT 2009

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING
MONDAY 7 JUNE 2010

PAYMENT OF FINAL DIVIDEND FOR 2009
2 JULY 2010

ANNOUNCEMENT OF HALF YEAR RESULTS TO 30 JUNE 2010
LATE AUGUST 2010

ANNOUNCEMENT OF ANNUAL RESULTS FOR 2010
LATE APRIL 2011

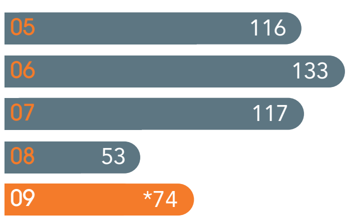
LONDON & ASSOCIATED PROPERTIES PLC

WE ARE A FULLY LISTED UK SHOPPING CENTRE AND CENTRAL LONDON RETAIL PROPERTY SPECIALIST. WE OWN AND MANAGE £239M OF RETAIL INVESTMENTS.

WE LOOK TO CREATE ENVIRONMENTS WHERE MAJOR BRANDS CAN THRIVE.

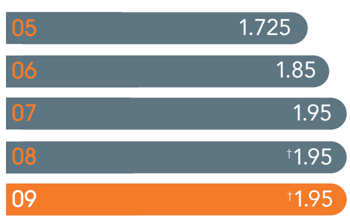
FINANCIAL HIGHLIGHTS

Fully diluted net assets per share (p)



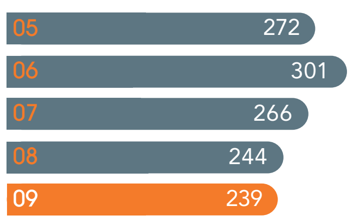
*adjusted fully diluted net assets per share 91p (page 16)

Dividend per share (p)

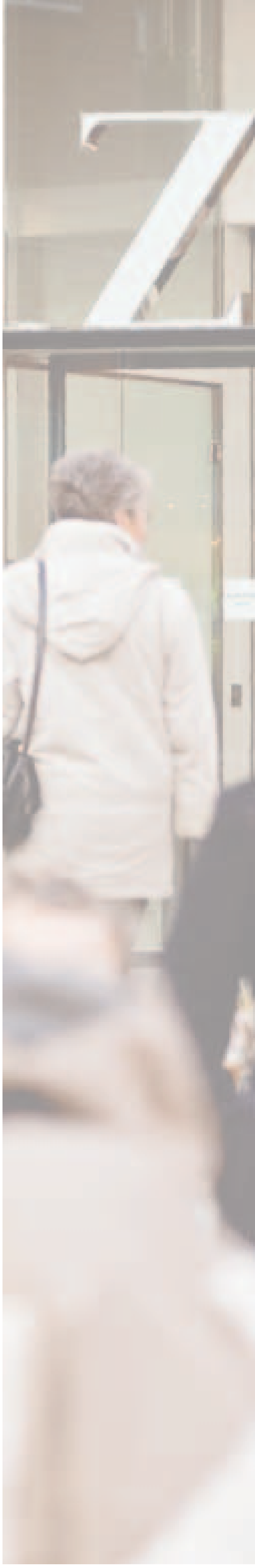


† equivalent dividend includes new issue shares equal to 0.8p

Overall property portfolio (£m)



2 CHAIRMAN'S STATEMENT



I am pleased to report on a year of satisfactory progress. Once again the quality of our property portfolio, coupled with successful strategic management of our properties during the year, have contributed to this creditable performance. The harsh economic conditions of 2008 continued into the first half of 2009; however the second half of the year saw some improvement in values with the final quarter witnessing strong demand for quality properties with stable income streams. A significant proportion of our portfolio meets these criteria, and our year end valuation reflects this improvement.

Our property portfolio was valued at £213.6 million at 31st December 2009. This represents an increase of 4.6% on a like-for-like basis which compares favourably with the Investment Property Databank (IPD), the property industry's valuation index, which showed retail property capital values had fallen by 4.3% over the same period.

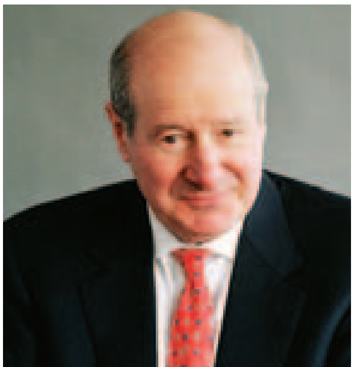
Over the year we also grew our rental income from £16.8 million per annum to £17.1 million. This has been achieved during a difficult period across the property market, which has witnessed substantial rental declines and a rise in vacant properties. Our estimated rental value now stands at £17.4 million per annum.

A number of key factors have been responsible for this performance: First of all, we have suffered relatively low levels of tenant default. From September 2008, when the property recession commenced in earnest, to date, we have lost £681,000 of rental income due to tenant failure. This figure is somewhat distorted by the failure of Zavvi, the music retailer, who occupied a prime unit at Orchard Square, Sheffield, and who were paying £368,000 per annum. This unit has since been re-let to Republic at a base rent of £400,000 per annum. Republic is a fashion retailer with a more dynamic retail offer and a wider customer audience. To date we have completed lettings with an aggregate rental income of 108% of the previously passing rent in the vacated units mentioned above. This has been achieved notwithstanding the fact that three of these units are still to be re-let.

Secondly, we obtained planning and listed building consents to redevelop our properties at King's Road, Chelsea and at Upper Street, Islington. We successfully carried out developments at both of these properties during the year and this work has added significantly to their respective values. Both of these developments had been pre-let.

Thirdly, we pre-let three units at King Edward Court, Windsor at rents in excess of £115 zone A. This represents a higher rate per square foot than had been previously achieved in this part of the centre and underscores the resilience of this shopping centre during the current recession. In fact, both our larger shopping centres at Windsor and Sheffield, which together account for rental income approaching £11 million per annum, have continued to demonstrate rental growth and are fully let, with the exception of one small unit at Sheffield which forms part of a future redevelopment site.

Finally, we took advantage of the market for prime property and sold, or exchanged contracts to sell, three properties during the year for a combined value of £21.9 million. These disposals show an aggregate surplus over book value of £0.9 million. Total disposals over the last 4 years have now reached some £159.8 million.

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REPUBLIC
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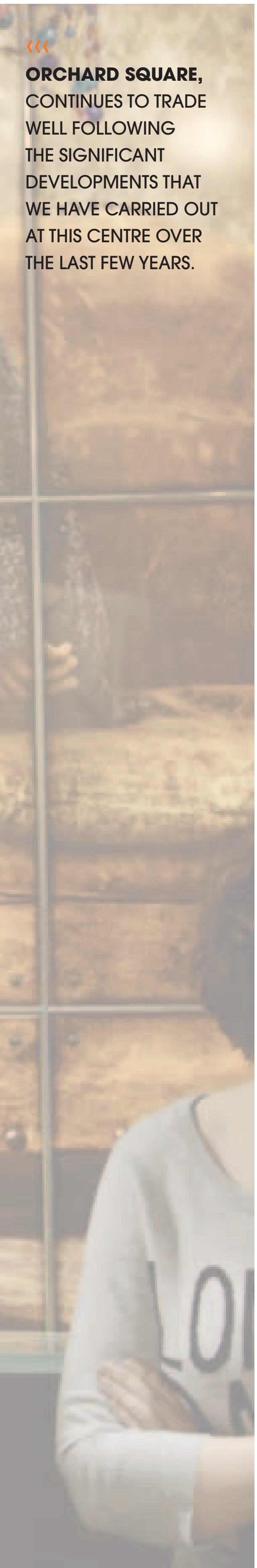


ORCHARD SQUARE, CONTINUES TO TRADE WELL FOLLOWING THE SIGNIFICANT DEVELOPMENTS THAT WE HAVE CARRIED OUT AT THIS CENTRE OVER THE LAST FEW YEARS.

Under the International Financial Reporting Standards (IFRS), the net assets of the company grew in 2009 by some 47% from £40.3 million to £59.1 million. These figures are distorted by the requirement to mark to market the interest rate derivatives that we have in place to hedge our interest payments. Over the year the gap between the prevailing swap rate and the level at which we started these contracts has closed substantially. This has led to a write back of £13.3 million to the net assets.

During the year under the more appropriate and generally accepted standards of the European Real Estate Association (EPRA), our EPRA adjusted net assets per share grew by 11.5% to 91.5p. When looked at on an EPRA Triple NAV basis, our NNNAV per share has risen by some 41% over the period to 74.2p from 52.7p, taking account of the requirement to mark to market the value of our interest rate derivatives.

On a management adjusted basis, as detailed in the Finance Director's report, and without capitalising interest we made a loss before tax of £2.5 million. This was mainly due to the expected reduction in income from our development sites, at Kings Road, Islington and Windsor during construction. This year we expect to move back into profit following the successful completion of our development programme.

The last few years have seen intensive management of our property portfolio as we have reconfigured and improved our Centres to increase rental values and drive forward cash flows. These capital intensive projects have now drawn to a successful conclusion. Over the last 4 years we have invested £49.3 million into our portfolio. This includes a gross investment of £30.7 million into King Edward Court Windsor, which at the time was held in a joint venture with the Bank of Scotland. The remaining £18.6 million of investment has been funded from our existing cash resources. LAP still has some £5 million in unencumbered cash available to exploit opportunities as they arise.

While property values have shown considerable improvements over the last two quarters and our experience on tenant failure has been below average, the Board remains cautious about the strength and durability of the current recovery. In view of this the Board feels that the Group should continue to conserve cash in the business. Therefore, the Board has taken the decision to maintain the dividend at the same level as last year. This will be a final cash dividend of 0.4p per share and a capitalisation issue of new shares worth 0.8p per share.

The total assets of the Group, including those of Bisichi Mining PLC, our associate company, and Dragon Retail Properties, our joint venture with Bisichi, now stand at £306.4 million.

Bisichi had another successful year and generated a profit before tax of £5.0 million.

Given the backdrop of a testing occupational market, our performance in 2009 has been positive. I am satisfied that our policy of upgrading and investing in the quality of our portfolio has insulated us from the worst of the economic downturn. Although it is too early to say with certainty that we are through the worst of this recession, I remain reasonably optimistic that we are well placed to cope with what is likely to be another challenging year for property companies.

Michael Heller, Chairman
16 April 2010


2008
2009
2010

AFTER THE SUCCESSFUL TRANSFORMATION OF THE **ANTIQUARIUS** BUILDING FROM ANTIQUES ARCADE TO A SINGLE UNIT OF 16,000 SQUARE FEET OF RETAIL SPACE, THE ENTIRE BUILDING HAS BEEN LET TO ANTHROPOLOGIE, THE US FASHION CHAIN.

CHIEF EXECUTIVE'S REPORT

2009 was again a challenging year for the property sector. The difficult times experienced in 2008 when the credit markets effectively collapsed, continued into the first half of 2009. Retail property values, as measured by IPD, fell from peak to trough by some 45%, and no property portfolio seemed immune from this general markdown. The investment market, however, started to stabilise over the summer and a return of good demand from cash rich buyers meant there was a surge in value for properties that fulfilled certain criteria towards the end of the year.

Buyers that have been most active in the investment market recently are generally looking for stable bond-like income from property during this period of historically low interest returns. Therefore, those properties which attracted the interest of the investment market have needed strong cash flows from quality covenants.

LAP's property investment portfolio was valued at £213.6 million at 31 December 2009. Our top three properties accounted for 73% of this figure. All of these properties are fully let, with the exception of one small unit within a future development site at our centre in Sheffield. They also have long single leases to strong covenants or are multi-let but with rental income that has increased over the last 12 months.

Gross rental income from our property portfolio has increased to £17.1 million during 2009 from £16.8 million the previous year. This is a significant achievement in the current environment and demonstrates the strength of our properties and of our rent roll. Our top 50 tenants plus the income from the car park at King Edward Court, Windsor account for 80% of our gross income. Almost all of these tenants are household names and some 74% by value of our leases have more than 5 years to run.

We collected 95% of cash owed to us within 2 weeks of the December 2009 quarter day. Within our portfolio, vacant units account for just 2.2% by rental value, 0.7% of units are let to tenants on a temporary basis, while 3.4% of our rental income has moved from being received on a quarterly basis to being received on a monthly basis. In 2009 ten tenants went into some form of insolvency accounting for £681,000 per annum. Of these, 7 leases with a rental value of £739,000 per annum have been re-let. In 2010, to date, we have lost one further tenant accounting for £26,000.

During the year we invested £3.5 million into developing and improving our property portfolio. These developments were all carried out with pre-lets in place, and have led to an incremental income of £858,000, which represents an annual return on investment of some 25%.

We sold or exchanged contracts to sell three properties during the year, of which two completed in the financial year. In all three cases, we felt that the assets in question would demonstrate minimal rental or capital growth over the medium term. The first property to be sold was a block of shops in Solihull for which we received £11.5 million. We had carried out two recent lettings there that had enhanced the rental value of the block, and we felt the property would be unlikely to show further rental growth for some time.

The other two properties sold were both in Islington. They had been acquired as part of the London Portfolio in 2006. The Mall, which is the larger property, was sold for £6.6 million. During the year we had successfully appealed an earlier refusal for consent to convert the Mall from an antiques arcade to a single shop. The application was made after pre-letting the entire building to Jack Wills, the fashion retailer, at £367,500 per annum. The cost of the amalgamation works and associated fees was £0.8 million and the property was handed over to the tenant on time and on budget in October 2009. The property was disposed of in December to show a profit over book value of £1.6 million.

The third property was a single shop adjacent to The Mall which was let to Foxtons, the estate agency. We achieved £3.8 million for the freehold of the building which equated to a net initial yield of 5.75%. This showed a profit over book value of £0.6 million. This sale was completed in January 2010. Following these disposals our estimated rental income still stands at £17.4 million per annum.

GIVEN THE NATURE OF OUR PORTFOLIO, OF WHICH 73% IS IN THREE HIGH QUALITY PROPERTIES THAT CAN ALL DEMONSTRATE STRONG CASH FLOWS, WE REMAIN CAUTIOUSLY OPTIMISTIC GOING FORWARD.


next
TOPSHOP
SONY
COSTA
benefit
Travelodge
Waitrose
Clarks
Boots
TOPSHOP
DOROTHY PERKINS
H&M
LAKELAND
Fenwick
WINDSOR
YES
JEANS

Windsor

At King Edward Court in Windsor, the Centre returned to full occupancy having lost two retailers to some form of insolvency in December 2008. The two units that became vacant were on either side of Robert Gatward, a chain of upmarket jewellers who had recently taken over an existing jewellery business within the Centre. This presented an opportunity to extend and amalgamate all three units to create better configured space with more visible frontage.

We obtained planning consent for the works during the year and pre-let the larger of the shops to Robert Gatward, who have significantly increased their retail space. Another unit has been let to Fat Face, the fashion chain, while the remaining space has been taken by Mystique Lingerie.

The combined rent of the three units is £295,000 per annum, a 42% increase over the previous passing rent. In addition we have managed to increase Zone A rents to over £115 for the shops fronting onto the principal mall, a record for this part of the Centre. The total cost of the deal, including all tenant incentives, has been approximately £0.5 million.

The total income for King Edward Court now stands at a record £7.8 million per annum, an increase over the year of 6.8%.

Sheffield

Orchard Square continues to trade well following the significant developments that we have carried out at this centre over the last few years. The shops remain fully let with the exception of one small unit that forms part of a future development site.

The income from this centre reached £3.0 million per annum in 2009 compared to £2.8 million the previous year, and 78% of the leases have more than 5 years to run. We have previously reported to shareholders that during 2009 we let a prime shop fronting Fargate to Republic, the fashion retailer, at a record rent per square foot for the city.

The London Portfolio

We successfully completed the transformation of the Antiquarius building from an antiques arcade to a large single unit with approximately 16,000 square feet of retail space. The entire building has been let to Anthropologie, the US fashion chain, at a rent of £1.1 million per annum. The apartment to the rear of the building which we refurbished in 2007 has also been let at a further £50,000 per annum.

The development required listed building and freeholder consents, which were obtained in April. The total cost of the development has been £1.96 million, and the net incremental rent is £592,000. Anthropologie took possession of the building in October 2009 and has recently commenced trading following an extensive period of fitting-out.

At our markets in Brixton, South London, we have focused over the last year on improving occupancy and increasing the footfall across both of the markets that we own there. This has been particularly the case with those units in Brixton Village, one of the two markets, that have historically been hard to let away from the main pedestrian flows. We have enjoyed some success through the introduction of flexible leases for an initial 3 month trial period. These have only been available for retailers who we believe will add substantially to the quality of the tenant mix.

The result of this initiative is that Market Row, the more successful of the markets, remains effectively fully let while Brixton Village now has 90% occupancy for the first time. Of the 17 tenants that commenced trading on flexible leases, 10 have now converted to full leases at a market rent. As a result the rental income for these two properties has increased by 9.4% over the last 12 months.

Remainder of our portfolio

The remainder of our portfolio continues to trade well in the current difficult economic environment. In addition to those properties mentioned above, our portfolio has been deliberately concentrated into locations where value retailing and day-to-day shopping is prevalent. We are confident that these locations will continue to trade at an acceptable level regardless of wider economic difficulties as they are less dependent on discretionary spending.

Outlook

The UK economic recovery continues to be fragile with a large rise in consumer savings and a low level of confidence. In addition there is less credit available for consumers, small businesses and property companies. We do not expect bank lending to return to the levels of 18 months ago in the near future.

Consequently, we expect the polarisation already apparent between prime and secondary properties to continue to widen. Given the nature of our portfolio, of which 73% is in three high quality properties that can all demonstrate strong cash flows, we remain cautiously optimistic going forward.

John Heller.

John Heller, Chief Executive
16 April 2010

GROSS RENTAL INCOME FROM OUR PROPERTY PORTFOLIO HAS INCREASED TO £17.1 MILLION DURING 2009 FROM £16.8 MILLION THE PREVIOUS YEAR.

DURING THE YEAR WE INVESTED £3.5 MILLION INTO DEVELOPING AND IMPROVING OUR PROPERTY PORTFOLIO.

AT OUR MARKETS IN **BRIXTON**, SOUTH LONDON WE HAVE FOCUSED ON IMPROVING OCCUPANCY AND INCREASING FOOTFALL BY THE INTRODUCTION OF FLEXIBLE LEASES. THIS INITIATIVE HAS LED TO 90% OCCUPANCY FOR BRIXTON VILLAGE FOR THE FIRST TIME. ›››


YOU ARE HERE
BRIXTON VILLAGE
FEDERATION
COFFEE


REPUBLI

FINANCE DIRECTOR'S REPORT

‹‹‹ AFTER THE DEMISE OF ZAVVI WHO OCCUPIED A PRIME UNIT AT ORCHARD SQUARE, WE HAVE RELET THE UNIT TO **REPUBLIC**, THE FASHION RETAILER, AT A RECORD RENT PER SQUARE FOOT FOR THE CITY.

In the challenging economic circumstances we faced in the year, we prioritised the management of our cash flow and our cash resources. We have now completed the capital expenditure relating to our development programme and those properties are all income producing. LAP has remained fully covenant compliant throughout this period.

Cash Flow

The Group remains in a satisfactory cash flow positive position.

During the year we sold Solihull and The Mall, Islington for a combined £18.1 million. We also exchanged contracts to sell the Foxtons unit in Islington, North London for £3.8 million, and completed the disposal in January 2010. The proceeds from these sales therefore were £21.9 million of which £15.1 million was used to pay down our Revolving Credit Facility with the Royal Bank of Scotland. The total amount drawn as at March 2010 stands at £54.4 million.

Income Statement

The Group's profit before tax as reported under IFRS was £21.4 million (2008: £57.3 million loss). This figure includes £9.4 million of movement in our property revaluation reserve and £13.3 million of movement on the marking to market of our interest derivatives, as well as certain other non-cash items. These adjustments can lead to considerable volatility in the reporting of our results. The table below does, though, show the underlying performance of the Group on a management adjusted basis.

The average cost of debt has reduced to 5.97% for the year (2008: 6.10%). We closely monitor all interest rate hedging and regularly explore options for reducing the total interest payable in the future. The interest rate hedges in place were taken out as a management tool for the business to ensure stability and security of our cash flows in the medium to long term. It is important to us that the costs of funds are at a known level. This strategy means that should interest rates increase in the future we will be protected. We do not trade in the swaps.

We have again valued the interest rate swaps on the basis of the net present value of the additional cost of the interest payable over the terms of the hedging arrangements against the prevailing rates of interest as at 31 December 2009. The Directors consider this to be the most appropriate method of valuation of these products. This valuation is based on the assumption (as required by IFRS) that we had to "unwind" these contracts at the balance sheet date. This is, of course, an unrealistic assumption since the hedges are designed to provide certainty for our interest costs and are not a traded item.

The tax charge for the year is £2.4 million. This figure includes a corporation tax credit of £1.2 million and an increase in the deferred tax provision of £3.6 million. This deferred tax provision has arisen because of the increase in the value of the property portfolio.

			2009			2008
	Cash items £'000	Non-cash items £'000	Per income statement £'000	Cash items £'000	Non-cash items £'000	Per income statement £'000
Net rental income	9,517	-	9,517	8,958	-	8,958
Income and gains on investments held for trading	148	-	148	298	-	298
Profit on sale of investment properties	14	-	14	897	-	897
Net change on revaluation of investment properties	-	9,422	9,422	-	(33,125)	(33,125)
Net increase/(decrease) in value of investments held for trading	-	178	178	-	(1,530)	(1,530)
Operating profit/(loss)	9,679	9,600	19,279	10,153	(34,655)	(24,502)
Share of joint ventures and associates	131	1,078	1,209	131	(547)	(416)
Interest rate derivative	-	13,269	13,269	-	(21,063)	(21,063)
Net interest	(12,350)	-	(12,350)	(11,285)	-	(11,285)
(Loss)/profit before taxation	(2,540)	23,947	21,407	(1,001)	(56,265)	(57,266)

Balance Sheet

The value of the overall property portfolio was £238.6 million. This includes the properties owned by Bisichi Mining PLC, Dragon Retail Properties and Analytical Ventures. On a like-for-like basis this shows an increase of 4.0%.

The underlying net assets of the Group on a similar management adjusted basis are shown in the table below.

The net assets of the Group under IFRS have increased to £59.1 million in the year, a rise of 46.6% and an increase of 21.5 pence per share. The more meaningful EPRA figure shows the net assets to be £72.8 million equivalent to 91.5 pence per share, a rise of 11.5%. The EPRA triple NAV increased by 41% over the period to 74.2p per share.

Accounting judgments and going concern

The most significant judgements made in preparing these accounts relate to the carrying value of the properties and investments which are stated at open market value. The Group uses external professional valuers to determine the values of our properties. Interest rate hedges (as explained above) are stated at net present value of the extra costs arising to maturity as compared with current market rates.

The Directors exercised their commercial judgements when reviewing the cash flow forecasts of the Group and the underlying assumptions on which they are based. The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman's Statement, the Chief Executive's Report and this Report. In addition the directors considered note 17 to the financial statements which includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; as well as its exposure to credit risk and liquidity risk.

2009	Per IFRS £'000	Deferred tax £'000	Mark-to-market of interest swaps £'000	Head leases £'000	EPRA Adjusted net assets £'000
Investment properties	243,109			(29,485)	213,624
Other fixed assets	2,621				2,621
Investments in associate and joint ventures	9,440				9,440
Other net assets	4,678				4,678
Other non-current liabilities	(54,395)	7,393	6,347	29,485	(11,170)
Net debt	(146,349)				(146,349)
Net assets	59,104	7,393	6,347	-	72,844
Adjusted EPRA NAV per share					91.5p

2008					
Investment properties	245,770			(27,238)	218,532
Other fixed assets	2,722				2,722
Investments in associate and joint ventures	8,360				8,360
Other net assets	810				810
Other non-current liabilities	(49,662)	2,843	19,616	27,238	35
Net debt	(167,694)				(167,694)
Net assets	40,306	2,843	19,616	-	62,765
Adjusted EPRA NAV per share					82.1p

WE HAVE NOW COMPLETED THE CAPITAL EXPENDITURE RELATING TO OUR DEVELOPMENT PROGRAMME AND THOSE PROPERTIES ARE ALL INCOME PRODUCING.

I FEEL CONFIDENT THAT THE POLICY OF PRUDENT MANAGEMENT WILL BENEFIT US AS WE CONTINUE TO GO THROUGH THIS PERIOD OF UNCERTAINTY.

With sound financial resources and long term leases in place with the tenants, the directors believe that the company is well placed to manage its business risks despite the current uncertain economic outlook. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Dividends

The Directors are again proposing the same final dividend as in 2008. The company is proposing to pay 1.2p, payable to shareholders on 2nd July 2010. This makes a total for the year of 1.95p – the same as in 2008. In current conditions this will be a final dividend of 0.4p per share and a capitalisation issue of new shares worth 0.8p per share.

Our associated company Bisichi Mining PLC, in which we hold a 41.7% stake, had a strong year and produced profit before taxation of £5.0 million. This figure is after a revaluation surplus under IFRS of £0.1 million.

I feel confident that the policy of prudently managing the Group's cash resources will benefit us as we continue to go through this period of uncertainty.

Robert Corry, Finance Director
16 April 2010

AFTER CONVERTING THE MALL, ISLINGTON FROM AN ANTIQUES ARCADE TO A SINGLE SHOP, WE DISPOSED OF THE PROPERTY IN DECEMBER TO SHOW A PROFIT OVER BOOK VALUE OF £1.6 MILLION. ›››


Jack
University Outfitters












DIRECTORS AND ADVISORS

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 investment portfolios and provides global asset allocation advice to private clients, family offices and pension funds. He is a director of Baronsmead VCT 2, a Venture Capital Trust specialising in long term tax efficient asset growth. From 1997-2003 he was consultant director on global asset allocation to Liverpool Victoria Asset Management Limited.

#† **Clive A Parritt** FCA CF FIIA
Clive A Parritt joined the board on 1 January 2006. He is a chartered accountant with over 30 years experience of providing strategic, financial and commercial advice to businesses. He is chairman of Barronsmead VCT 2 plc, DiGiCo Europe Limited and BG Consulting Group Limited as well as being a director of F&C US Smaller Companies plc. He is Vice President of the Institute of Chartered Accountants in England and Wales and is a non-executive member of its Board. He is chairman of the audit committee and as senior independent director he chairs the Nomination and Remuneration Committees.

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

Secretary & registered office

Michael C Stevens FCA
Carlton House,
22a St James's Square,
London SW1Y 4JH

Director of Property

Mike J Dignan FRICS

Auditor

Baker Tilly UK Audit LLP

Principal bankers

HSBC Bank PLC

Lloyds Banking Group PLC

National Westminster Bank PLC

Royal Bank of Scotland PLC

Solicitors

Olswang LLP

Pinsent Masons LLP

Stockbroker

Oriel Securities Limited

Registrars & transfer office

Capita Registrars,
Northern House,
Woodsome Park,
Fenay Bridge,
Huddersfield,
W. Yorkshire,
HD8 0GA

Telephone 0871 664 0300
(Calls cost 10p per minute + network extras, lines are open Mon-Fri 8.30am to 5.30pm) or +44 208 639 3399 for overseas callers

Website: www.capitaregistrars.com
Email: ssd@capitaregistrars.com

Company registration number
341829 (England and Wales)

Website

www.lap.co.uk

E-mail

admin@lap.co.uk

22 DIRECTORS' REPORT

The directors submit their report and the audited accounts, for the year ended 31 December 2009.

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 a 42 per cent interest. 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 investment.

Business Review

Review of the Group's development and performance

The Chairman's Statement, Chief Executive's Report and Finance Director's Report on the preceding pages 2 to 17 provide a comprehensive review and assessment of the Group's activities during the year as well as 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, actively manages those 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. Rent collection and tenant quality are monitored carefully. 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.
- **Financing costs** – the exposure of the Group to interest rate movements is managed by the use of swap arrangements (see note 17 on page 47 for full details of the contracts in place). These swap arrangements are designed to ensure that our interest costs are fixed and always covered by anticipated rental income. Once put in place we intend that such swaps are generally retained until maturity. Details of key estimates adopted are contained in the accounting policies note on page 38.
- **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. 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 directors consider that the long-term rental yield has been reached. The Group also seeks to acquire additional property investments on an opportunistic basis when the potential rental yields offer scope for future growth.

Investment activities

The investments in joint ventures 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 investment (principally in South Africa). The investment is held to generate income and capital growth over the longer term. 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.

Investments in property are made through joint ventures when the financing and spreading of risk make it desirable.

Corporate responsibility

Environment

The Group's principal UK activity is property investment providing 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 trading cash flow (where we aim over a period of time to deliver a positive cash return) and net asset value per share after adjusting for valuation volatility and excluding IFRS adjustments. The directors consider that the Key Performance Indicator of the Group is the Net Asset per Share value shown at the foot of the Balance Sheet on page 35 and as discussed in the Finance Director's Report. Cash flow is shown on page 37.

Dividend Policy and Capitalisation Issue

An interim dividend for 2009 of 0.75p was paid on 22 January 2010 (2008: Interim dividend 0.75p paid on 23 January 2009). The directors recommend payment of a final dividend for 2009 of 0.40p per ordinary share of 10 pence each (the **Final Dividend** and **Ordinary Share** respectively). In addition to the Final Dividend the directors propose to issue Ordinary Shares in lieu of the full final dividend that would otherwise have been paid, by issuing to existing shareholders new Ordinary Shares (the **Capitalisation Issue**) with an aggregate value equal to 0.80p (the **Capitalisation Amount**) for each Ordinary Share held by them.

Subject to shareholder approval, the total dividend per Ordinary Share for 2009 will be 1.15p per Ordinary Share. When added to the Capitalisation Amount, this results in an equivalent nominal amount of 1.95p per Ordinary Share (2008: equivalent nominal amount of 1.95p per Ordinary Share).

The Final Dividend of 0.40p per Ordinary Share will be payable on 2 July 2010 to shareholders registered at the close of business on 4 June 2010. The Capitalisation Issue will take effect on 2 July 2010 to shareholders registered at the close of business on 4 June 2010.

The Capitalisation Issue is conditional on, amongst other things, shareholders' approval at the AGM of the company to be held on 7June 2010 of the granting of authority to the directors to allot and issue Ordinary Shares in connection with the Capitalisation Issue (the **Capitalisation Issue Shares**). The Capitalisation Issue also requires shareholders to authorise the capitalisation of reserves to allow the Capitalisation Issue Shares to be issued.

Further details concerning the Capitalisation Issue (including certain general taxation considerations in respect of the Capitalisation Issue) are set out below and a summary and explanation of the resolution to be proposed at the Annual General Meeting in respect of the Capitalisation Issue is set out on page 27 of this Directors' Report.

The Capitalisation Issue

Reason for Dividend Policy and Capitalisation Issue

In the current economic climate, the board of directors feels that it is imperative that the Group maximises its financial flexibility, including conserving cash wherever possible, and accordingly considers that it would be prudent to issue the Capitalisation Issue Shares in lieu of a cash dividend equal to 0.80p per Ordinary Share. Also, the Capitalisation Issue enables shareholders to build up their shareholding in the company without incurring dealing costs or stamp duty.

The board of directors reserves the right not to complete the Capitalisation Issue if it considers such action would not be in the best interests of the company or its shareholders.

Entitled Shareholders
Holders of Ordinary Shares on the register as at 4 June 2010 will be entitled to receive Capitalisation Issue Shares. Accordingly, the last date transfers will be accepted for registration to participate in the Capitalisation Issue will be 4 June 2010 (the **Capitalisation Issue Record Date**).

Entitlement to Capitalisation Issue Shares
Each shareholder's entitlement to Capitalisation Issue Shares will be calculated by taking the Capitalisation Amount per Ordinary Share multiplied by the number of Ordinary Shares held by that shareholder at the Capitalisation Issue Record Date and dividing that amount by the Capitalisation Issue Price. The Capitalisation Issue Price will be the average of the middle market quotations for Ordinary Shares for the three dealing days starting on, and including, 2 June 2010, the day when the Ordinary Shares are first quoted ''ex-dividend'', as derived from the Official List of the UK Listing Authority. The Capitalisation Issue Price, once fixed, will also be notified on the company's website at www.lap.co.uk.

Entitlements to Capitalisation Issue Shares will be rounded down to the nearest whole number of Ordinary Shares. No fraction of an Ordinary Share will be allotted.

The Capitalisation Issue Shares
The company will apply to the UK Listing Authority for the Capitalisation Issue Shares to be admitted to the Official List and to the London Stock Exchange for the Capitalisation Issue Shares to be admitted to trading on its market for listed securities on 2 July 2010. Subject to the applications being successful, the Capitalisation Issue Shares are expected to be allotted on and dealings in Capitalisation Issue Shares are expected to begin on or around 2 July 2010.

The Capitalisation Issue Shares will be issued fully paid and will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of their issue (but excluding for the avoidance of doubt the Final Dividend).

Subject to the Capitalisation Issue becoming effective:

(a) In respect of Ordinary Shares held in certificated form on the Capitalisation Issue Record Date, share certificates will be issued in respect of Capitalisation Issue Shares and posted to shareholders as soon as reasonably practicable after the Capitalisation Issue becomes effective; and

(b) In respect of Ordinary Shares held in uncertificated form (i.e. CREST) on the Capitalisation Issue Record Date, prior to the commencement of dealings in the Capitalisation Issue Shares on the London Stock Exchange, the appropriate stock account in CREST of the relevant shareholder will be credited with such person's entitlement to Capitalisation Issue Shares. The Capitalisation Issue Shares are expected to be eligible to be traded through the CREST system with effect from the date of commencement of dealings on the London Stock Exchange.

Dividends
The timing of the payment of the company's cash dividends will not be affected by the Capitalisation Issue. All mandates and other instructions in force relating to dividend payments will, unless and until revoked, remain in force.

Share Plans
The company operates an HMRC approved share incentive plan. Executive director and staff participations may be adjusted to take account of the Capitalisation Issue in accordance with the rules of the scheme. Participants will be contacted separately and further information provided as to how their entitlements might be affected.

UK tax treatment of the Capitalisation Issue
The directors have sought advice as to the expected tax treatment of shareholders on receipt of Capitalisation Issue Shares. The following statements are intended only as a general guide to current UK tax law and practice of Her Majesty's Revenue & Customs (HMRC). They are intended to apply only to shareholders who are resident or ordinarily resident in the UK for UK tax purposes, who hold their Ordinary Shares as investments and who are the beneficial owners of their Ordinary Shares. The statements may not apply to certain classes of shareholders such as dealers in securities. Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Capitalisation Issue Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

The Capitalisation Issue should be treated as a reorganisation of the company's share capital for the purposes of taxation of chargeable gains. Accordingly, a shareholder should not be subject to a charge to tax on capital gains (CGT) upon receipt of Capitalisation Issue Shares. Instead, a shareholder's existing Ordinary Shares and the Capitalisation Issue Shares should, taken together, be treated for CGT purposes as the same asset, acquired at the time and for the same price that the shareholder acquired their existing Ordinary Shares. A subsequent sale or other disposal by a shareholder of some or all of the Capitalisation Issue Shares might give rise to a CGT liability for that shareholder.

The receipt of Capitalisation Issue Shares should not give rise to a charge to tax on income for shareholders. The Capitalisation Issue should not be subject to stamp duty or stamp duty reserve tax.

Overseas Shareholders
It is the responsibility of overseas shareholders to ensure that all relevant laws and regulations in overseas jurisdictions applicable to them or their shareholdings (for example, exchange control laws or regulations) are complied with and that they obtain any permissions or consents required to be obtained, or make any filings required to be made by them. Shareholders should consult their professional advisers if they are not sure whether any formalities must be observed in order to receive Capitalisation Issue Shares. It is the responsibility of any person resident outside the UK wishing to receive Capitalisation Issue Shares to be satisfied as to full observance of the laws of the relevant territory, including obtaining any government or other consents which may be required and observing other formalities in such territories.

The company's ordinary shares held in treasury

During 2009 the company issued 1,580,814 of its own shares from Treasury for an average price of 33.5p which increased the "issued share capital" by the same number of shares. Details of the issue of these shares is shown in the table below.

At 31 December 2009 4,293,051 (2008: 5,873,865) shares were held in treasury with a market value of £1,856,745 (£1,468,466). At the Annual General Meeting (AGM) in June 2009 members renewed the authority for the company to purchase up to 10% of its issued ordinary shares. The company will be asking members to renew this authority at the next AGM in June 2010.

Movements in Treasury shares during the year:	Transaction price	Number of shares
Treasury shares held at 1 January 2009		5,873,865
February 2009 - Issue of Treasury shares in lieu of directors bonuses	31.25p	(1,214,400)
February 2009 – Issue of Treasury shares following the exercise of share options	25.66p	(50,000)
March 2009 – Purchase by the Trustee of the SIP for issue of Dividend Shares	29.50p	(21,780)
May 2009 – Issue of Treasury shares in lieu of senior staff bonuses	38.00p	(96,261)
December 2009 - Issue of Treasury shares in connection with the HMRC approved share incentive plan	43.00p	(198,373)
Treasury shares held at 31 December 2009		4,293,051

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

The freehold and long leasehold properties of the company and its subsidiaries were revalued as at 31 December 2009 by external professional firms of chartered surveyors - Allsop LLP, London (98.1 per cent of the portfolio), and BNP Paribas, Leeds (1.9 per cent). The valuations, which are reflected in the financial statements, amount to £213.6 million (2008: £218.5 million).

Taking account of prevailing market conditions, the valuation of Group properties at 31 December 2009 resulted in a increase of £9.4 million (2008: reduction of £33.1 million). This has been reflected in the income statement in accordance with the requirements of IFRS. The impact of property revaluations on the company's joint ventures (Analytical Ventures Limited and Dragon Retail Properties Limited) and the associate company (Bisichi Mining PLC) was a reduction of £0.2 million (2008 reduction of £4.2 million). 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 17 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, subsidiaries and joint ventures 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 2009.

M A Heller and H D Goldring, are retiring by rotation at the Annual General Meeting in 2010 and offer themselves for re-election. Brief details of the directors offering themselves for re-election are as follows:

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

Howard Goldring has been a director since 1992 and has a contract of service determinable at three months notice. He is a member of the audit, remuneration and nomination committees. Howard Goldring is a chartered accountant and global asset allocation specialist. He is executive chairman of Delmore Asset Management Limited which specialises in the management of investment 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.

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 09	1 Jan 09	31 Dec 09	1 Jan 09
M A Heller	**5,450,109**	4,871,757	**18,902,994**	18,520,634
R J Corry	**661,879**	359,110	**-**	-
H D Goldring	**11,309**	11,080	**-**	-
J A Heller	**1,310,652**	1,153,971	**†13,779,769**	†13,520,634
C A Parritt	**24,867**	24,364	**-**	-
M C Stevens	**756,747**	492,267	**+988,140**	+777,534

† These non-beneficial holdings are duplicated with those of M A Heller.

+ The non-beneficial interest of M C Stevens arises by reason of his being a director of London & Associated Securities Limited, a company which acts as a trustee.

No director had any material interest in any contract or agreement with the Group during the year other than as shown in this annual report. (Please see note 21 to the financial statements and the remuneration report).

Between 1 January 2010 and the date of this report the interests of a number of directors in the ordinary shares of the company have increased to the following totals:

	Beneficial	Non-beneficial
M A Heller	5,878,681	18,902,994
R J Corry	930,450	-
J A Heller	1,872,557	13,779,769
M C Stevens	891,032	988,140

No other changes in the directors' holdings took place between 1 January 2010 and the date of this report. However, the interests of M A Heller and his family company interests also increased in this period and are shown in the "Substantial shareholdings" paragraph opposite.

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

Substantial shareholdings

At 31 December 2009 M A Heller and his family had an interest in 44.8 million shares of the company, representing 56.23 per cent of the issued share capital net of treasury shares (2008: 43.09 million shares representing 56.4 per cent). Cavendish Asset Management Limited has an interest in 4,810,873 shares representing 6.04 per cent of the issued share capital of the company (2008: 3,470,351 shares representing 4.54 per cent).

Between 1 January 2010 and the date of this report the following changes occurred:

The interest of M A Heller and his family increased to 46.44 million shares in the company, representing 56.78 per cent of the issued share capital net of Treasury shares.

The company is not aware of any other holdings exceeding 3 per cent of the issued share capital and no relevant changes have occurred between 1 January 2010 and the date of this report.

Takeover Directive

The company has one class of share capital, namely 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 "Substantial shareholdings" above.

The rights of the ordinary shares to which the HMRC approved Share Incentive Plan 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, save in respect of Treasury Shares. 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 at least every three years. 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 the auditor

The directors in office on 31 December 2009 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is 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 (SQC's) published by the Quoted Companies Alliance (QCA). The QCA provides guidance to 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 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 two non-executive directors. 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 normally 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 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 and it is chaired by C A Parritt. The executive chairman of the board is normally invited to attend. The directors' remuneration report is set out on pages 28 to 30.
- The audit committee comprises the non-executive directors and is chaired by C A Parritt. The audit committee report is set out on page 31.

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 to be necessary to date.

Independent directors

The senior independent non-executive director is C A Parritt. 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 or after 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.

Board and board committee meetings held in 2009

The number of regular meetings during the year and attendance was as follows:

		Meetings held	Meetings attended
R J Corry	Board Audit committee	11 3	11 3
H D Goldring	Board Audit committee Nomination committee Remuneration committee	11 3 1 2	11 3 1 2
M A Heller	Board Nomination committee Remuneration committee	11 1 2	11 1 2
J A Heller	Board Audit committee	11 3	10 2
C A Parritt	Board Audit committee Nomination committee Remuneration committee	11 3 1 2	11 3 1 2
M C Stevens	Board Audit committee Nomination committee	11 3 1	11 2 1

Internal control

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness at least annually, and for the preparation and review of its financial statements. 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 established procedures for the presentation and review of the financial statements and the Group has in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority.

There are no internal control issues to report in the annual report and financial statements for the year ended 31 December 2009 and up to the date of approval of this report and the financial statements the board has not been required 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 provided in the Annual Report and online. 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 stockbrokers and institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Group are dealt with promptly and informatively.

The company's website is under continuous development to enable better communication with existing and potential new shareholders.

Payments to suppliers

The company and the Group agree the terms of contracts when orders are placed. It is Group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. Trade creditors outstanding at the year end represent 17.8 days annual trade purchases (2008: 17.3 days).

Donations

No political donations were made during the year (2008: £Nil). Donations for charitable purposes amounted to £1,525 (2008: £250).

Going concern

The Group's business activities, together with the factors likely to affect its future development are set out in the Chairman's Statement on the preceding pages 2 to 5, Chief Executive's Report on pages 8 to 11. The Finance Director's Report on pages 15 to 17 sets out the financial position of the company, its cash flows, liquidity position and borrowing facilities. In addition Note 17 to the financial statements gives details of the Group's financial instruments and interest rate risk, and maturity and hedging profile.

The Group has considerable financial resources together with long term leases with the majority of the tenants of its property portfolio. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Annual General Meeting

The Annual General Meeting will be held at the RAC Club, 89 Pall Mall, London SW1Y 5HS on Monday 7June 2010 at 10.30 a.m. Items 1 to 9 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 10 and 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 the Capitalisation Issue and all of the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole and accordingly the board unanimously recommends that shareholders vote in favour of all of the resolutions, as the directors intend to do in respect of their own beneficial holdings of ordinary shares. Please note that the following paragraphs are only summaries of certain of the resolutions to be proposed at the Annual General Meeting and not the full text of the resolutions. You should therefore read this section in conjunction with the full text of the resolutions contained in the notice of Annual General Meeting.

Ordinary Resolutions

1. Resolution 8 - Directors' authority to allot securities

Paragraph 8.1.1 of Resolution 8 would give the directors the authority to allot shares in the company and grant rights to subscribe for or convert any security into shares in the company up to an aggregate nominal value of £2,726,200. This represents approximately 33.3 per cent. of the ordinary share capital of the company in issue (excluding treasury shares) at 16 April 2010 (being the last practicable date prior to the publication of this Directors' Report).

In line with recent guidance issued by the Association of British Insurers ('ABI') paragraph 8.1.2 of Resolution 8 would give the directors the authority to allot shares in the company and grant rights to subscribe for or convert any security into shares in the company up to a further aggregate nominal value of £2,726,200, in connection with a rights issue. This amount represents approximately 33.3 per cent. of the ordinary share capital of the company in issue (excluding treasury shares) at 16 April 2010 (being the last practicable date prior to the publication of this Directors' Report).

The directors' authority will expire at the conclusion of the next Annual General Meeting. The directors have no present intention to make use of this authority. However, if they do exercise the authority, the directors intend to follow emerging best practice as regards its use (including as regards the directors standing for re-election in certain cases), as recommended by the ABI.

2. Resolution 9 - the Capitalisation Issue
In order to enable the directors to effect the Capitalisation Issue the following ordinary resolution will be proposed at the Annual General Meeting:

(a) To give the directors the authority to issue new Ordinary Shares in lieu of paying cash dividends of an amount equivalent to 0.8p per Ordinary Share

Paragraph 9.1 of Resolution 9 will grant the directors authority to capitalise such amount of the company's share premium account as the directors may determine up to £672,000 and to apply such sum in paying up the Capitalisation Issue Shares.

(b) To give the directors the authority to allot Ordinary Shares

Paragraph 9.2 of Resolution 9 will grant the directors the authority to allot authorised but unissued Ordinary Shares in the share capital of the company. If Resolutions 8 and 9 are passed, the maximum aggregate amount the directors are authorised to allot represents 41.55 per cent. of the total issued ordinary share capital of the company (excluding treasury shares) as at 16 April 2010 (being the latest practicable date prior to the date of this Directors' Report). The authority given by paragraph 9.1 of Resolution 9 shall expire at the conclusion of the company's Annual General Meeting to be held in 2011.

The directors at present intend to use the authority conferred by paragraph 9.2 of Resolution 9 to allot the Capitalisation Issue Shares.

Further information relating to the proposed Capitalisation Issue is set out on pages 22 and 23 of this Directors' Report.

Special Resolutions

The following special resolutions will be proposed at the Annual General Meeting:

1. Resolution 10 - disapplication of pre-emption rights
Under company law, when new shares are allotted or treasury shares are sold for cash (otherwise than pursuant to an employee share scheme) they must first be offered to existing shareholders in proportion to their existing shareholdings. This special resolution gives the directors authority, for the period ending on the date of the next Annual General Meeting to be held in 2011, to: (a) allot shares of the company and sell treasury shares for cash in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the company, or sell treasury shares, for cash up to an aggregate nominal value of £419,610 representing in accordance with institutional investor guidelines, approximately 5 per cent. of the total ordinary share capital in issue as at 16 April 2010 (being the last practicable date prior to the publication of this Directors' Report) in each case as if the pre-emption rights in company law did not apply.

Save in respect of issues of shares in respect of employee share schemes and share dividend alternatives, the directors have no present intention to make use of these authorities. The board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares for cash on a non-pre-emptive basis in excess of an amount equal to 7.5% of the company's ordinary share capital within a rolling three-year period without prior consultation with shareholders.

2. Resolution 11 - purchase of own Ordinary Shares
The effect of Resolution 11 would be to renew the directors' current authority to make limited market purchases of the company's ordinary shares of 10 pence each. The power is limited to a maximum aggregate number of 8,392,203 ordinary shares (representing approximately 10 per cent of the company's issued share capital as at 16 April 2010 (being the latest practicable date prior to publication of this Directors' Report)). 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 11 will expire at the conclusion of the company's next Annual General Meeting to be held in 2011 or 15 months from the passing of the resolution, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange.

If granted, the authority would only be exercised if, in the opinion of the directors, 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 as treasury shares (shares held by the company itself).
No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them.

As at 16 April 2010 (being the last practicable date prior to the publication of this Directors' Report) the total number of options to subscribe for new ordinary shares in the company as at 31 December 2009 was 70,000 shares representing 0.09% of the company's issued share capital as at 31 December 2009. Such number of options to subscribe for new ordinary shares would represent approximately 0.09% of the reduced issued share capital of the company assuming full use of the authority to make market purchases sought under Resolution 11.

Other matters

Baker Tilly UK Audit LLP have expressed their willingness to continue in office as auditor. A proposal will be made at the Annual General Meeting for their reappointment.

By order of the board
Michael Stevens,
Secretary

16 April 2010
Carlton House
St James's Square
London SW1Y 4JH

28 REMUNERATION REPORT

The remuneration committee is pleased to present its report for the year ended 31 December 2009.

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.

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 who 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 provided 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 Jan 2006	Continuous	3 months

The following information has been audited

Directors' Remuneration for the year ended 31 December 2009

	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 2009 £'000**	Total before pension contrib -utions £'000	Pension contrib -utions £'000	Total 2008 £'000
Executive directors										
M A Heller*	7	-	300	50	**357**	-	**357**	204	-	204
J A Heller	300	200	406	46	**952**	30	**982**	658	30	688
R J Corry	206	25	6	24	**261**	146	**407**	221	118	339
M C Stevens	90	-	6	19	**115**	65	**180**	136	67	203
	603	225	718	139	**1,685**	241	**1,926**	1,219	215	1,434
Non-executive directors										
H D Goldring*	40	-	-	4	**44**	-	**44**	38	-	38
C A Parritt	30	-	-	-	**30**	-	**30**	25	-	25
	70	-	-	4	**74**	-	**74**	63	-	63
Total remuneration for directors' service during year	673	225	718	143	**1,759**	241	**2,000**	1,282	215	1,497

* See "Directors" opposite and Note 20 "Related party transactions".
Other benefits include the provision of car, health and other insurance and subscriptions.

Pension schemes and incentives

Three (2008: three) directors have benefits under money purchase pension schemes. Contributions in 2009 were £241,000 (2008: £215,000) 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. In assessing the performance of the executive team and, in particular to determine whether bonuses are merited the remuneration committee takes account of the overall performance of the business. Specific areas addressed include: enhancement of the asset base by effective development; changes in rental income generated; quality and risk profile of the tenant base; voids; timely acquisitions and disposals; security of funding arrangements; and overall teamwork. Bonuses were awarded by the remuneration committee to four executive directors during 2009 (2008: 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 (2008: £275,000) for the year. Further details of these services are set out in Note 20 "Related party transactions" to the financial statements.

H D Goldring's company, Delmore Asset Management Limited provides consultancy services to the Group. This is dealt with in Note 20 to 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. No director has any options outstanding under the Approved Scheme.
2. The non HMRC approved scheme (Unapproved Scheme) was set up in 1998 and is not subject to HMRC rules for approval. One executive director had options in 2009 to subscribe for ordinary shares under the Unapproved Scheme as follows:

	Option price	Number of share options 1 January 2009	Exercised in 2009	Granted in 2009	31 December 2009	Exercisable from	to
Unapproved Scheme:							
M C Stevens	25.66p	50,000	(50,000)	-	-	8 Mar 02	7 Mar 09

M C Stevens exercised the 50,000 options on 12 February 2009 when the mid- market price was 31.25p

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. These performance conditions have been achieved.

The bid market price of London & Associated Properties PLC ordinary shares at 31 December 2009 was 43.3p (2008: 25.0p). During the year the share mid-market price ranged between 52.50p and 26.00p.

Share incentive plan

Following a recommendation of the remuneration committee the directors set up an 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 22 December 2009 (2008: 17 November) free shares of up to the annual maximum of £3,000 per member were awarded at 43.00p (2008: 44.00p) per share as follows:

Free shares awarded:	Number of members **2009**	2008	Number of shares **2009**	2008	Value of shares **2009 £**	2008 £
Directors:						
R J Corry	1	1	6,977	6,818	3,000	3,000
J A Heller	1	1	6,977	6,818	3,000	3,000
M C Stevens	1	1	6,977	6,818	3,000	3,000
Staff	17	19	72,792	80,682	31,300	35,500
Total at 31 December	**20**	22	**93,723**	101,136	**40,300**	44,500

2. Partnership shares On 17 November 2009 (2008: 17 November) directors and staff were invited to complete partnership share agreements and commence saving for partnership shares over the period November 2009 to October 2010. At 31 December 2009 three directors and seven staff had saved a total of £5,250 towards the cost of partnership shares to be acquired in November 2010. The shares will be acquired at the prevailing market price on the day of acquisition.

Partnership shares issued:	Number of members		Number of shares		Value of shares	
	2009	2008	**2009**	2008	**2009** £	2008 £
Directors:						
R J Corry	1	1	3,488	3,409	1,500	1,500
J A Heller	1	1	3,488	3,409	1,500	1,500
M C Stevens	1	1	3,488	3,409	1,500	1,500
Staff	7	19	24,416	53,955	10,500	23,740
Total at 31 December	**10**	22	**34,880**	64,182	**15,000**	28,240

3. Matching shares The partnership share agreements for the year to 31 October 2009 provide for two matching shares to be awarded free of charge for each partnership share acquired in December 2009. On 22 December 2009 69,770 matching shares were allocated (2008: 128,364). Matching shares will usually be forfeited if a member leaves employment in the Group within 5 years of their grant.

Matching shares granted:	Number of members		Number of shares		Value of shares	
	2009	2008	**2009**	2008	**2009** £	2008 £
Directors:						
R J Corry	1	1	6,977	6,818	3,000	3,000
J A Heller	1	1	6,977	6,818	3,000	3,000
M C Stevens	1	1	6,977	6,818	3,000	3,000
Staff	7	19	48,839	107,910	21,000	47,480
Total at 31 December	**10**	22	**69,770**	128,364	**30,000**	56,480

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 2009 amounted to £6,547 (2008: £6,833).

Dividend shares issued:	Number of members		Number of shares		Value of shares	
	2009	2008	**2009**	2008	**2009** £	2008 £
Directors:						
R J Corry	1	1	1,573	-	464	-
J A Heller	1	1	1,573	-	464	-
M C Stevens	1	1	1,573	-	464	-
Staff	17	19	17,061	-	5,033	-
Total at 31 December	**20**	22	**21,780**	-	**6,425**	-

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.

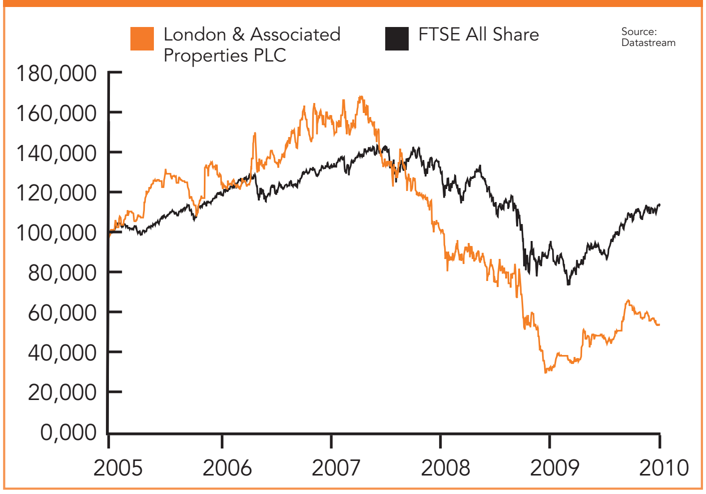
The following information is unaudited

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.

C A Parritt
Chairman - Remuneration Committee

16 April 2010

Total Shareholder Return (2005-2009)



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 chartered accountants.

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

Meetings

The committee meets at least twice prior to the publication of the annual results and discusses and considers the half year results prior to their approval by the board. The audit committee meetings are 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 may be held as necessary.

During the past year the committee:

- met with the external auditor, 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 has had separate meetings with the external audit partner.

External Auditor

Baker Tilly UK Audit LLP held office throughout the period under review. 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

16 April 2010

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required under the Listing Rules of the Financial Services Authority to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law 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 2006 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

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 accounting estimates that are reasonable and prudent;

c. state for the group financial statements, whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements 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 adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on page 21 confirm that, to the best of each person's knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the company and the undertakings included in the consolidation taken as a whole; and

b. the management report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 2009 by the company as detailed in our Valuation Report dated 22 February 2010.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2009 of these interests was:

	£'000
Freehold	78,209
Leasehold	127,656
	205,865

27 Soho Square, London W1D 3AY
22 February 2010

Allsop LLP
Property Consultants
Regulated by Royal Institution of
Chartered Surveyors

To the Directors of London & Associated Properties PLC
In accordance with your instructions we have carried out a valuation of the freehold property interests held as at 31 December 2009 by the company as detailed in our Valuation Report dated 24 February 2010.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2009 of these interests was:

	£'000
Freehold	**4,023**

Capitol House, Russell Street, Leeds LS1 5SP
24 February 2010

BNP Paribas Real Estate Advisory and Property Management UK Limited
Regulated by Royal Institution of
Chartered Surveyors

INDEPENDENT AUDITOR'S REPORT

to the members of London & Associated Properties PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 34 to 62. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As more fully explained in the Directors' Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 32, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Nigel Tristem (Senior Statutory Auditor)
For and on behalf of
Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

19 April 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Gross rental income			
Group and share of joint ventures		**17,067**	16,775
Less: joint ventures - share of rental income		**(519)**	(272)
Revenue	1	**16,548**	16,503
Direct property expenses		**(2,166)**	(3,137)
Overheads		**(4,865)**	(4,408)
Property overheads	1	**(7,031)**	(7,545)
Net rental income	1	**9,517**	8,958
Listed investments held for trading	3	**148**	298
Profit on sale of investment properties		**14**	897
Net increase/(decrease) on revaluation of investment properties		**9,422**	(33,125)
Net increase/(decrease) in value of investments held for trading		**178**	(1,530)
Operating profit/(loss)	1	**19,279**	(24,502)
Share of loss of joint ventures after tax	10	**(276)**	(588)
Share of profit of associate after tax	11	**1,485**	172
Profit/(loss) before interest and taxation		**20,488**	(24,918)
Interest rate derivatives	17	**13,269**	(21,063)
Finance income	5	**90**	681
Finance expenses	5	**(12,440)**	(11,966)
Profit/(loss) before taxation		**21,407**	(57,266)
Income tax	6	**(2,355)**	9,812
Profit/(loss) for the year attributable to the owners of the parent		**19,052**	(47,454)
Basic profit/(loss) per share	8	**24.32p**	(62.30)p
Diluted profit/(loss) per share	8	**24.32p**	(62.30)p

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

CONSOLIDATED BALANCE SHEET
at 31 December 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Market value of properties attributable to Group		**213,624**	218,532
Present value of head leases		**29,485**	27,238
Property	9	**243,109**	245,770
Plant and equipment	9	**816**	917
Investments in joint ventures	10	**1,396**	1,793
Investments in associated company	11	**8,044**	6,567
Held to maturity investments	12	**1,805**	1,805
		255,170	256,852
Current assets			
Trade and other receivables	13	**3,976**	3,974
Financial assets-investments held for trading	14	**702**	2,330
Cash and cash equivalents		**8,655**	8,191
		13,333	14,495
Total assets		**268,503**	271,347
Current liabilities			
Trade and other payables	15	**(11,427)**	(11,268)
Financial liabilities – borrowings	16	**(7,216)**	(7,277)
Current tax liabilities		**(741)**	(2,417)
		(19,384)	(20,962)
Non-current liabilities			
Financial liabilities-borrowings	16	**(147,788)**	(160,417)
Interest rate derivatives	17	**(6,347)**	(19,616)
Present value of head leases on properties		**(29,485)**	(27,238)
Deferred tax	18	**(6,395)**	(2,808)
		(190,015)	(210,079)
Total liabilities		**(209,399)**	(231,041)
Net assets		**59,104**	40,306
Equity attributable to the owners of the parent			
Share capital	19	**8,392**	8,232
Share premium account		**5,042**	5,236
Translation reserve in associate		**(284)**	(504)
Capital redemption reserve		**47**	47
Retained earnings (excluding treasury shares)		**50,465**	33,532
Treasury shares	19	**(4,558)**	(6,237)
Retained earnings		**45,907**	27,295
Total shareholders' equity		**59,104**	40,306
Net assets per share	8	**74.22p**	52.73p
Diluted net assets per share	8	**74.19p**	52.70p

These financial statements were approved by the board of directors and authorised for issue on 16 April 2010 and signed on its behalf by:

M A Heller
Director

R J Corry
Director

Company Registration No. 341829

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Translation reserves £'000	Fair value reserve* £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings Retained Earnings excluding treasury shares £'000	Total equity £'000
Balance at 1 January 2008	8,232	5,236	(530)	1,001	47	(6,549)	81,554	88,991
Loss for year	-	-	-	-	-	-	(47,454)	(47,454)
Other comprehensive income:								
Reclassification of fair value of interest derivatives	-	-	-	(1,001)	-	-	1,001	-
Currency translation in associate	-	-	26	-	-	-	-	26
Total other comprehensive income	-	-	26	(1,001)	-	-	1,001	26
Total comprehensive income	-	-	26	(1,001)	-	-	(46,453)	(47,428)
Transactions with owners:								
Equity share options in associate	-	-	-	-	-	-	99	99
Disposal of own shares	-	-	-	-	-	129	-	129
Loss on transfer of own shares	-	-	-	-	-	183	(183)	-
Dividends paid	-	-	-	-	-	-	(1,485)	(1,485)
Transactions with owners	-	-	-	-	-	312	(1,569)	(1,257)
Balance at 31 December 2008	8,232	5,236	(504)	-	47	(6,237)	33,532	40,306
Profit for year	-	-	-	-	-	-	19,052	19,052
Other comprehensive income:								
Currency translation in associate	-	-	220	-	-	-	-	220
Total other comprehensive income	-	-	220	-	-	-	-	220
Total comprehensive income	-	-	220	-	-	-	19,052	19,272
Transaction with owners:								
Equity share options in associate	-	-	-	-	-	-	(76)	(76)
Issue of own shares and expenses	160	(194)	-	-	-	-	-	(34)
Disposal of own shares	-	-	-	-	-	521	-	521
Loss on transfer of own shares	-	-	-	-	-	1,158	(1,158)	-
Dividends paid	-	-	-	-	-	-	(885)	(885)
Transactions with owners	160	(194)	-	-	-	1,679	(2,119)	(474)
Balance at 31 December 2009	**8,392**	**5,042**	**(284)**	**-**	**47**	**(4,558)**	**50,465**	**59,104**

* Interest rate derivatives

All the above are attributable to the owners of the parent.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	2009 £'000	2008 £'000
Profit/(loss) for the year	**19,052**	(47,454)
Other Comprehensive income:		
Currency translation in associate	**220**	26
Other comprehensive income for the year	**220**	26
Total comprehensive income for the period attributable to owners of the parent	**19,272**	(47,428)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

	2009 £'000	2008 £'000
Operating activities		
Profit/(Loss) before interest and taxation	**20,488**	(24,918)
Depreciation	**210**	200
Profit on disposal of non-current assets	**(3)**	(2)
Profit on sale of investment properties	**(14)**	(897)
Net (increase)/decrease on revaluation of investment properties	**(9,422)**	33,125
Share of (profit)/loss of joint ventures and associate after tax	**(178)**	416
Net (increase)/decrease in value of investments held for trading	**(1,209)**	1,530
Decrease in net current assets	**2,303**	2,566
Cash generated from operations	**12,175**	12,020
Income tax (paid)/repaid	**(444)**	104
Cash inflows from operating activities	**11,731**	12,124
Investing activities		
Investment in shares and loan stock in joint ventures	**-**	(2,300)
Property acquisitions and improvements	**(3,763)**	(19,788)
Sale of properties	**17,805**	16,229
Purchase of office equipment and motor cars	**(133)**	(294)
Sale of office equipment and motor cars	**27**	61
Interest received	**90**	681
Dividends received from associate and joint ventures	**273**	131
Cash inflows/(outflows) from investing activities	**14,299**	(5,280)
Financing activities		
Issue expenses	**(34)**	-
Sale of treasury shares	**521**	129
Equity dividends paid	**(885)**	(1,485)
Interest paid	**(12,132)**	(12,210)
Repayment of short term loan from joint ventures	**(225)**	(7)
Repayment of medium term bank loan	**(12,750)**	(2,571)
Cash outflows from financing activities	**(25,505)**	(16,144)
Net increase/(decrease) in cash and cash equivalents	**525**	(9,300)
Cash and cash equivalents at beginning of year	**914**	10,214
Cash and cash equivalents at end of year	**1,439**	914

Cash and cash equivalents

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

	2009 £'000	2008 £'000
Cash and cash equivalents (before bank overdrafts)	**8,655**	8,191
Bank overdrafts	**(7,216)**	(7,277)
Cash and cash equivalents at end of year	**1,439**	914

£0.6m of cash deposits at 31 December 2009 was charged as security to Axa Annuity Company.

38 GROUP ACCOUNTING POLICIES

The following are the principal Group accounting policies:

Basis of accounting

The group financial statements for the year ended 31 December 2009 are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with those parts of the Companies Act 2006 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 2006 and these are presented in note 25. 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.

London & Associated Properties PLC is a public listed parent company, incorporated and domiciled in England and quoted on the London Stock Exchange. The Company registration number is 341829.

Going concern

The most significant judgements made in preparing these accounts relate to the carrying value of the properties, investments and interest rate hedges which are stated at open market value. The Group uses external professional valuers to determine the values of our properties.

The Directors exercised their commercial judgements when reviewing the cash flow forecasts of the Group and the underlying assumptions on which they are based. The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman's Statement, the Chief Executive's Report and Finance Director's Report. In addition the Directors considered note 17 of the financial statements which includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; its exposure to credit risk and liquidity risk.

With sound financial resources and long term leases in place with the tenants, the Directors believe that the company is well placed to manage its business risks despite the current uncertain economic outlook. The Directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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. Further details are contained in the Directors' Report.

International Accounting Standards (IAS/IFRS)

At the date of approval of these financial statements, the following new Standards and interpretations which have been applied in these Financial statements, were in issue:

IAS 1 (amended) Presentation of financial statements.
IAS 23 (amended) Borrowing costs.
IAS 27 (revised) Consolidated and separate financial statements.
IAS 39 (amended) Eligible hedged items.
IFRS 1 (amended) Cost of investment in a subsidiary, jointly controlled entity or associate.
IFRS 2 (amended) Share-based payments –
vesting conditions and cancellations.
IFRS 3 (revised) Business combinations.
IFRS 7 (amended) Financial instruments.
IFRS 8 Operating segments.
IFRIC 9 (amended) Reassessment of Embedded Derivatives.
IFRIC 15 Agreements for the construction of real estate.
IFRIC 17 Distributions of non-cash assets to owners.

Other than additional disclosure, there is no effect on reported income or net assets.

The directors anticipate that the adoption of the standards and interpretations in issue but not yet effective in future periods will have no material impact on the financial statements of the Group.

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 economically 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 trading subsidiary companies are set out in note 25.4.

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. Rent reviews are recognised when such reviews have been agreed with tenants.

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 loans

The debenture loans are included as a financial liability on the balance sheet net of the unamortised costs on issue. The cost of issue is recognised in the group income statement over the life of the debenture. 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 their fair value to the business, being the Net Present Value of the difference between the hedged rate of interest and the market rate of interest for the remaining period of the hedge.

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 arising from any adjustment to the fair value to the business calculation 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 33% 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.

Segmental Reporting

For management reporting purposes, the Group is organised into business segments distinguishable by economic activity. The Group's only business segments are investment properties and other investments. These business segments are subject to risks and returns that are different from those of other business segments and are the primary basis on which the Group reports its segment information. This is consistent with the way the Group is managed and with the format of the Group's internal financial reporting.

40 NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

1. Segmental analysis

Following the adoption of IFRS 8 during the year, operating segments are based on the internal reporting and operational management of the Group. The Group is organised into property and other investments.

Business segments

	2009 Property £'000	2009 Listed investments £'000	2009 Total £'000	2008 Property £'000	2008 Listed investments £'000	2008 Total £'000
Rental income	16,548	-	16,548	16,503	-	16,503
Property overheads	(7,031)	-	(7,031)	(7,545)	-	(7,545)
Net rental income	9,517	-	9,517	8,958	-	8,958
Listed investment income	-	148	148	-	298	298
Profit on sale of investment properties	14	-	14	897	-	897
Net increase/(decrease) on revaluation of investment properties	9,422	-	9,422	(33,125)	-	(33,125)
Net increase/(decrease) on revaluation of investments held for trading	-	178	178	-	(1,530)	(1,530)
Operating profit/(loss)*	18,953	326	19,279	(23,270)	(1,232)	(24,502)
Total assets (excluding investments in associate and joint ventures)	256,556	702	257,258	258,857	2,330	261,187
Total liabilities (excluding borrowings and current tax)	(53,654)	-	(53,654)	(60,930)	-	(60,930)
Borrowings	(155,004)	-	(155,004)	(167,694)	-	(167,694)
Net assets	47,898	702	48,600	30,233	2,330	32,563
Current tax liabilities: non segmental			(741)			(2,417)
Investments in joint ventures: non segmental (notes 10 and 12)			3,196			3,588
Investments in associate: non segmental (note 11)			8,044			6,567
Investments in unlisted companies			5			5
Net assets as per balance sheet			59,104			40,306
Other segment items:						
Depreciation	210	-	210	200	-	200
Capital expenditure	3,594	-	3,594	19,208	-	19,208

Rental income

	Property £'000	Analytical Ventures £'000	Dragon Retail Properties Total £'000	Total £'000	Group Share 2009 £'000	2008 £'000
Rental income	16,548	818	220	17,586	17,067	16,775
Direct property expenses	(2,166)	(57)	(13)	(2,236)	(2,201)	(3,156)
Overheads	(4,865)	(222)	(70)	(5,157)	(5,011)	(4,563)
	9,517	539	137	10,193	9,855	9,056
Less: attributable to joint ventures					(338)	(98)
Net rental income					9,517	8,958

* Operating profit is defined as profit before tax and excludes the share of profit & losses of joint ventures and associate, finance income and expenses, and the movement of interest rate derivatives.

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.

Further information in respect of the property reportable segment is included within the primary statements. No customer represents revenue in excess of 10 per cent of total revenue (2008: none).

2. Profit/(loss) before taxation

	2009 £'000	2008 £'000
Profit/(loss) before taxation is arrived at after charging/(crediting):		
Staff costs (note 21)	**3,361**	2,829
Depreciation on tangible fixed assets - owned assets	**210**	200
Operating lease rentals - land and buildings	**385**	373
Profit on disposal of motor vehicles and office equipment	**(3)**	(2)
Amounts payable to the auditor in respect of both audit and non-audit services		
Audit services:		
Statutory - company and consolidation	**81**	82
- subsidiaries	**54**	65
Further assurance services	**10**	11
Other services	**8**	8
	153	166

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

3. Listed investments held for trading

	2009 £'000	2008 £'000
Investment sales	**1,948**	1,603
Dividends receivable	**60**	141
	2,008	1,744
Cost of sales	**(1,835)**	(1,421)
	173	323
Attributable overheads	**(25)**	(25)
	148	298

4. Directors' emoluments

	2009 £'000	2008 £'000
Emoluments	**1,759**	1,282
Defined contribution pension scheme contributions	**241**	215
	2,000	1,497

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

5. Finance costs

	2009 £'000	2008 £'000
Finance income	**90**	681
Finance expenses		
Interest on bank loans and overdrafts	**(3,013)**	(9,575)
Interest on other loans	**(2,108)**	(2,178)
Interest on derivatives adjustment	**(5,338)**	1,614
Interest on obligations under finance leases	**(1,981)**	(1,989)
Total borrowing costs	**(12,440)**	(12,128)
Amounts included in the cost of qualifying assets	**-**	162
	(12,440)	(11,966)
	(12,350)	(11,285)

No interest payable (2008: £162,000) has been transferred to the cost of investment properties (Note 9). The amounts capitalised represent the cost of funds forming part of the Group's borrowings which were used in financing major capital projects.

6. Income tax

	2009 £'000	2008 £'000
Current tax		
Corporation tax on profit/(loss) of the period	-	299
Adjustments in respect of previous periods	(1,232)	152
Total current tax	(1,232)	451
Deferred tax		
Origination and reversal of timing differences	(1,052)	2,269
Revaluation of investment properties	658	(7,726)
Accelerated capital allowances	270	397
Fair value of interest derivatives	3,715	(5,898)
Adjustments in respect of previous periods	(4)	695
Total deferred tax (note 18)	3,587	(10,263)
Tax on profit/(loss) on ordinary activities	2,355	(9,812)

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 28 per cent (2008: 28.5 per cent). The differences are explained below:

	2009 £'000	2008 £'000
Profit/(loss) on ordinary activities before taxation	21,407	(57,266)
Taxation on ordinary activities at 28 per cent (2008: 28.5%)	5,994	(16,321)
Effects of:		
Expenses not deductible for tax purposes	4	8
Other differences	(2,059)	5,243
Joint ventures and associate	(348)	119
Deferred tax rate adjustment	-	292
Adjustment in respect of prior years	(1,236)	847
Tax charge/(credit) for the period	2,355	(9,812)

The main component of other differences in the reconciliation relates to indexation allowance of £1.9 million (2008: £4.8 million).

Factors that may affect future tax charges:

Based on current capital expenditure plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years, but at a slightly lower level than in the current year.

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

7. Dividend

	2009 Per share	2009 £'000	2008 Per share	2008 £'000
Dividends paid during the year relating to the prior period	1.15p	885	1.95p	1,485
Equivalent final dividend in ordinary shares issued during the year relating to prior period	0.80p		-	
	1.95p		1.95p	
Dividends to be paid:				
Interim dividend for 2009 paid on 22 January 2010	0.75p	597	0.75p	571
Proposed equivalent final dividend for 2009 (0.4p in cash and 0.8p in ordinary shares)	1.20p	981	1.20p	933
	1.95p	1,578	1.95p	1,504

The proposed final dividend will be payable on 2 July 2010 to shareholders registered at the close of business on 4 June 2010.

8. Profit/(loss) per share and net assets per share

Profit/(loss) per share have been calculated as follows:	**2009**	2008
Profit/(loss) for the year for the purposes of basic and diluted loss per share (£'000)	**19,052**	(47,454)
Weighted average number of ordinary shares in issue for the purpose of basic profit/(loss) per share ('000)	**78,345**	76,172
Basic profit/(loss) per share	**24.32p**	(62.30)p
Weighted average number of ordinary shares in issue for the purpose of diluted profit/(loss) per share ('000)	**78,345**	76,172
Fully diluted profit/(loss) per share	**24.32p**	(62.30)p

Weighted average number of shares in issue is calculated after excluding treasury shares of 4,293,051 (2008: 5,873,865).

There was no dilutive effect of the outstanding options in either year.

Net assets per share have been calculated as follows:

	Net Assets		**Shares in issue**		**Net assets per share**	
	2009 £'000	2008 £'000	**2009 '000**	2008 '000	**2009 pence**	2008 pence
Basic						
At 31 December	**59,104**	40,306	**79,629**	76,443	**74.22**	52.73
Dilution adjustments for shares subject to option agreements:						
Issue of outstanding share options	**28**	40	**70**	120		
Diluted	**59,132**	40,346	**79,699**	76,563	**74.19**	52.70

9. Property and plant and equipment

	Investment Properties			**Office equipment and motor vehicles**
	Freehold £'000	**Leasehold over 50 years £'000**	**Total £'000**	**£'000**
Cost or valuation at 1 January 2009	95,272	150,498	245,770	1,682
Additions	1,450	2,011	3,461	133
Disposals	(17,791)	-	(17,791)	(81)
Increase in present value of head leases	-	2,247	2,247	-
Increase on revaluation	4,667	4,755	9,422	-
Cost or valuation at 31 December 2009	**83,598**	**159,511**	**243,109**	**1,734**
Representing assets stated at:				
Valuation	83,598	130,026	213,624	-
Present value of head leases	-	29,485	29,485	-
Cost	-	-	-	1,734
	83,598	**159,511**	**243,109**	**1,734**
Depreciation at 1 January 2009	-	-	-	765
Charge for the year	-	-	-	210
Disposals	-	-	-	(57)
Depreciation at 31 December 2009	**-**	**-**	**-**	**918**
Net book value at 1 January 2009	95,272	150,498	245,770	917
Net book value at 31 December 2009	**83,598**	**159,511**	**243,109**	**816**

9. Property and plant and equipment continued

	Investment Properties Freehold £'000	Leasehold over 50 years £'000	Total £'000	Office equipment and motor vehicles £'000
Cost or valuation at 1 January 2008	116,206	163,541	279,747	1,554
Additions	15,438	3,476	18,914	294
Disposals	(15,333)	-	(15,333)	(166)
Decrease in present value of head leases	-	(4,433)	(4,433)	-
Decrease on revaluation	(21,039)	(12,086)	(33,125)	-
Cost or valuation at 31 December 2008	95,272	150,498	245,770	1,682
Representing assets stated at:				
Valuation:	95,272	123,260	218,532	-
Present value of head leases	-	27,238	27,238	-
Cost	-	-	-	1,682
	95,272	150,498	245,770	1,682
Depreciation at 1 January 2008	-	-	-	673
Charge for the year	-	-	-	200
Disposals	-	-	-	(108)
Depreciation at 31 December 2008	-	-	-	765
Net book value at 1 January 2008	116,206	163,541	279,747	881
Net book value at 31 December 2008	95,272	150,498	245,770	917

The leasehold over fifty years and freehold properties, excluding the present value of head leases, were valued as at 31 December 2009 by external professional firms of chartered surveyors and Directors. The valuations were made at open market value.

	2009 £'000	2008 £'000
Allsop LLP	**205,865**	214,855
BNP Paribas Real Estate	**4,023**	3,677
Directors' valuation	**3,736**	-
	213,624	218,532
Add: Present value of headleases	**29,485**	27,238
	243,109	245,770

Upper Street, Islington, which was held at Directors' valuation at the balance sheet date, was sold in January 2010 for £3.8 million.

The historical cost of investment properties, including total capitalised interest of £6,051,000 (2008: £6,051,000) was as follows:

	2009 Freehold £'000	**2009 Leasehold over 50 years £'000**	2008 Freehold £'000	2008 Leasehold over 50 years £'000
Cost at 1 January	96,308	131,451	94,957	127,975
Additions	1,450	2,011	15,438	3,476
Disposals	(17,150)	-	(14,087)	-
Cost at 31 December	**80,608**	**133,462**	96,308	131,451

10. Investment in joint ventures

	2009 £'000	2008 £'000
Group share of:		
Turnover	**519**	272
Loss before tax	**(242)**	(684)
Taxation	**(34)**	96
Loss after tax	**(276)**	(588)
Non-current assets	**6,565**	6,712
Current assets	**1,582**	1,874
Current liabilities	**(3,871)**	(1,485)
Non-current liabilities	**(2,880)**	(5,308)
Net assets	**1,396**	1,793

Analytical Ventures Limited (Analytical Ventures) - unlisted property investment company. The company owns 50 per cent of the issued share capital and 50 per cent of the issued loan stock. The remaining 50 per cent is owned by the Bank of Scotland. Analytical Ventures is incorporated and operates in England and Wales and has issued share capital of 7,558,000 ordinary shares (2008:7,558,000 ordinary shares of £1 each). Analytical Ventures is managed by a board of directors with neither party having overall control.

Dragon Retail Properties Limited (Dragon) - unlisted property trading and investment company. The company owns 50 per cent of the issued share capital. 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 (2008:500,000 ordinary shares of £1 each). Dragon is managed by a board of directors with neither party having overall control.

Shares in joint ventures:	2009 £'000	2008 £'000
At 1 January	1,793	1,881
Share of loss after tax	(276)	(588)
Dividend received	(121)	-
Investment valuation	-	500
	(397)	(88)
At 31 December	**1,396**	1,793

11. Investments in associated company

	2009 £'000	2008 £'000
Bisichi Mining PLC - listed mining and property investment company		
Group share of:		
Turnover	**12,094**	10,828
Profit before tax	**2,039**	929
Taxation	**(554)**	(757)
Profit after tax	**1,485**	172
Non-current assets	**9,971**	9,573
Current assets	**4,308**	4,574
Current liabilities	**(4,345)**	(5,929)
Non-current liabilities	**(1,890)**	(1,651)
Net assets	**8,044**	6,567

11. Investments in associated company continued

	2009 £'000	2008 £'000
Share in associate:		
At 1 January	6,567	6,401
Share of profit after tax	1,485	172
Equity share options	(76)	99
Currency translation	220	26
Dividend received	(152)	(131)
	1,477	166
At 31 December	**8,044**	6,567

The company owns 42 per cent (2008: 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 2009 was £7,611,000 (2008: £6,087,000).

12. Held to maturity investments

	2009 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000	2008 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000
Cost						
At 1 January	1,805	5	1,800	5	5	-
Loan stock issue	-	-	-	1,800	-	1,800
At 31 December	**1,805**	**5**	**1,800**	1,805	5	1,800

13. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	**736**	966
Amounts due from associate and joint ventures	**196**	148
Other receivables	**437**	474
Prepayments and accrued income	**2,607**	2,386
	3,976	3,974

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

14. Investments held for trading

	2009 £'000	2008 £'000
Market bid value of the listed investment portfolio	**702**	2,330
Unrealised deficit of market value over cost	**(467)**	(490)
Listed investment portfolio at cost	**1,169**	2,820

All investments are listed on the London Stock Exchange.

15. Trade and other payables

	2009 £'000	2008 £'000
Trade payables	**691**	1,070
Amounts owed to joint ventures	**1,165**	1,454
Other taxation and social security costs	**825**	553
Other payables	**789**	874
Accruals and deferred income	**7,957**	7,317
	11,427	11,268

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

16. Borrowings

Current borrowings - amounts falling due within one year	**2009 £'000**	2008 £'000
Bank overdrafts (unsecured)	**7,216**	7,277

Non-current borrowings - amounts falling due after more than one year		
Term borrowings		
Debenture stocks:		
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**5,000**	5,000
£1.7 million First Mortgage Debenture Stock 2016 at 8.67 per cent	**1,700**	1,700
£5 million First Mortgage Debenture Stock 2018 at 11.6 per cent	**5,000**	5,000
£10 million First Mortgage Debenture Stock 2022 at 8.109 per cent*	**9,787**	9,770
	21,487	21,470
Term bank loans:		
£90 million revolving credit facility repayable in 2011*	**56,494**	69,184
£70 million term bank loan repayable in 2014*	**69,807**	69,763
	126,301	138,947
	147,788	160,417

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

Interest payable on the term bank loans is variable being based upon the London inter bank offered rate (LIBOR) plus margin.

First Mortgage Debenture Stocks 2013, 2016, 2018 and 2022, the long term £90 million bank revolving credit facility repayable in September 2011 and the long term £70 million term bank loan repayable in November 2014 are secured on specific freehold and leasehold properties which are included in the financial statements at a value of £209.6 million.

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

The Group's 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.

17. 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 are considered adequate to meet the Group's anticipated cash flow requirements for the foreseeable future.

17. Financial instruments continued

The table below analyses the Group's financial liablities 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**	**2009 Total £'000**
Bank overdrafts (floating)	**7,216**	**-**	**-**	**7,216**
Debentures (fixed)	**-**	**5,000**	**16,700**	**21,700**
Bank loans (floating)*	**-**	**126,679**	**-**	**126,679**
Trade and other payables (non-interest)	**11,427**	**-**	**-**	**11,427**
	18,643	**131,679**	**16,700**	**167,022**

	Less than 1 year £'000	2-5 years £'000	Over 5 years £'000	2008 Total £'000
Bank overdrafts (floating)	7,277	-	-	7,277
Debentures (fixed)	-	5,000	16,700	21,700
Bank loans (floating)*	-	69,429	70,000	139,429
Trade and other payables (non-interest)	11,268	-	-	11,268
	18,545	74,429	86,700	179,674

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 with appropriate 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 2009 London & Associated Properties PLC 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 15 and 16.

The Group has undrawn facilities of £35,105,000 (2008: £22,544,000) as follows:

	2009 £'000	2008 £'000
Overdrafts	**1,784**	1,973
Term facilities expiring in two to five years	**33,321**	20,571
	35,105	22,544

Hedge profile

a) There is a hedge to cover part of the £90 million revolving credit facility, which currently covers the full £57 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.

At the year end the amount recognised was £4,570,000 deficit (2008: £14,146,000 deficit) being the estimated financial effect of the fair value to the business of these hedging instruments less the deferred tax thereon.

The Directors have estimated the financial effect of the fair value to the business of these hedging instruments. This has been calculated as the Net Present Value of the difference between the 18 year interest rate, which was 4.38 per cent at 31 December 2009 against the rate payable under the specific hedge. This has given a liability at 31 December 2009 of £6,347,000 (2008: 19,616,000) as shown in the balance sheet and this value changes by approximately £1,800,000 for each 0.1% change in interest rate. The banks own initial quotations at 31 December 2009 to close each of the hedges were £9,918,000 (2008: £24,893,000). It is not the company's intention to crystallise the derivatives.

Under IAS 39 the hedges are not deemed to be eligible for hedge accounting and any movement in the value of the hedges is therefore charged directly to the consolidated income statement. The banks have an option to cancel the hedges in November 2014 and January 2015.

17. Financial instruments continued

Fair value of financial instruments

Fair value estimation
Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	**2009 Gain/(loss) to income statement £'000**
Financial assets					
Other financial assets held for trading					
Quoted equities	**702**	**-**	**-**	**702**	**178**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**-**	**-**	**6,347**	**6,347**	**13,269**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	2008 Gain/(loss) to income statement £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	2,330	-	-	2,330	(1,530)
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	-	-	19,616	19,616	(21,063)

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 and retained earnings, but excluding the fair value reserve and the interest rate derivatives.

Consistent with others in the industry, the Group monitors its capital by its 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 2009 this decreased to 223.6 per cent (2008: 266.2 per cent) which was calculated as follows:

	2009 £'000	2008 £'000
Total debt	**155,004**	167,694
Less cash and cash equivalents	**(8,655)**	(8,191)
Net debt	**146,349**	159,503
Total equity	**65,451**	59,922
	223.6%	266.2%

The gearing reduced primarily due to the rise in the asset values in the year. All the debt, apart from the overdrafts, is at fixed rates of interest as shown in notes 16 and 17. The Group does not have any externally imposed capital requirements.

Financial assets
Financial assets are disclosed in notes 12, 13 and 14 and above.

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.

	2009 £'000	2008 £'000
Cash at bank and in hand	**8,655**	8,191

These funds are primarily invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates. £0.6 million (2008: £nil) of the cash is secured against the 2022 First Mortgage Debenture.

17. Financial instruments continued

Financial liabilities maturity

Repayment of borrowings

	2009 £'000	2008 £'000
Bank loans and overdrafts:		
Repayable on demand or within one year	**7,216**	7,277
Repayable between two and five years	**126,301**	69,184
Repayable after more than five years	**-**	69,763
	133,517	146,224
Debentures:		
Repayable between two and five years	**5,000**	5,000
Repayable in more than five years	**16,487**	16,470
	155,004	167,694

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	**1,784**	1,973
which expire in two to five years	**33,321**	20,571
	35,105	22,544

Interest rate risk and hedge profile

	2009 £'000	2008 £'000
Fixed rate borrowings	**21,700**	21,700
Floating rate borrowings		
- Subject to interest rate swap	**145,000**	145,000
- (Excess hedge) / Not hedged	**(11,105)**	1,706
	155,595	168,406

Average fixed interest rate	**9.69%**	9.69%
Weighted average swapped interest rate	**5.58%**	5.59%
Weighted average cost of debt on overdrafts, bank loans and debentures	**5.97%**	6.10%
Average period for which borrowing rate is fixed	**9.5 years**	10.5 years
Average period for which borrowing rate is swapped	**17.9 years**	18.9 years
The swapped interest rate have calls by the bank	**4.9 years**	5.9 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:

	2009 Fair value £'000	2009 Carrying value £'000	2008 Fair value £'000	2008 Carrying value £'000
Cash and cash equivalents	**8,655**	**8,655**	8,191	8,191
Financial assets - investments held for trading	**702**	**702**	2,330	2,330
Other assets	**3,976**	**3,976**	3,974	3,974
Derivative liabilities	**(6,347)**	**(6,347)**	(19,616)	(19,616)
Bank overdrafts	**(7,216)**	**(7,216)**	(7,277)	(7,277)
Bank loans	**(126,679)**	**(126,301)**	(139,429)	(138,947)
Present value of head leases on properties	**(29,485)**	**(29,485)**	(27,238)	(27,238)
Other liabilities	**(12,168)**	**(12,168)**	(11,268)	(11,268)
Before debentures	**(168,562)**	**(168,184)**	(190,333)	(189,851)

17. Financial instruments continued

Fair value of debenture stocks
Fair value of the Group's debenture liabilities:

	Book value £'000	Fair value £'000	2009 Fair value adjustment £'000	2008 Fair value adjustment £'000
Debenture stocks	**21,700**	**29,183**	**(7,483)**	(7,579)
Tax at 28 per cent (2008: 28 per cent)			**2,095**	2,122
Post tax fair value adjustment			**(5,388)**	(5,457)
Post tax fair value adjustment - basic pence per share			**(9.40)p**	(9.91)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 2009 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.

18. Deferred tax

	2009 £'000	2008 £'000
Balance at 1 January	2,808	13,071
Transfer to profit and loss account	3,587	(10,263)
Balance at 31 December	**6,395**	2,808

The deferred tax balance comprises the following:		
Revaluation of investment properties	**5,733**	5,075
Accelerated capital allowances	**2,116**	1,852
Fair value of interest derivatives	**(1,777)**	(5,493)
Short-term timing differences	**1,321**	1,414
	7,393	2,848
Loss relief	**(998)**	(40)
Provision at end of period	**6,395**	2,808

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.

19. Share capital

	Number of ordinary 10p shares 2009	Number of ordinary 10p shares 2008	2009 £'000	2008 £'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
Ordinary shares of 10p – issued during the year	**1,605,057**	-	**160**	-
Less: held in Treasury (see below)	**(4,293,051)**	(5,873,865)	**(429)**	(588)
"Issued share capital" for reporting purposes	**79,628,978**	76,443,107	**7,963**	7,644

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

The company issued a further 1,605,057 new ordinary shares of 10p each on 3 July 2009, from the amount standing to the credit of the Company's share premium account. The existing shareholders as at 5 June 2009 were entitled to the new Capitalisation Issue ordinary shares as authorised at the Annual General Meeting on 10 June 2009.

19. Share capital continued

Treasury shares

	Date	Price. excl. costs	Number of ordinary 10p shares 2009	2008	Cost/issue value 2009 £'000	2008 £'000
Shares held in Treasury at 1 January			5,873,865	6,167,545	6,237	6,549
Issued to meet directors bonuses	Feb-09	106.18p	(1,214,400)	-	(1,290)	-
Issued to meet share options exercised	Feb-09	106.18p	(50,000)	-	(53)	-
Issued for new share incentive plan	Mar-09	106.18p	(21,780)	-	(23)	-
Issued to meet staff bonuses	May-09	106.18p	(96,261)	-	(102)	-
Issued to meet directors and staff bonuses (Nov 08 – 106.18p)			-	(293,680)	-	(312)
Issued for new share incentive plan	Dec-09	106.18p	(198,373)	-	(211)	-
Shares held in Treasury at 31 December			**4,293,051**	5,873,865	**4,558**	6,237

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

At 31 December 2009 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 2009 is as follows:

	At 1 January 2009	Changes during the year: Options Exercised	Options granted	Options lapsed	At 31 December 2009
Shares issued to date	2,367,604	-	-	-	**2,367,604**
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	3,987,559	-	-	-	**3,987,559**

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 2009 there were no options to subscribe for ordinary shares outstanding.

Number of shares	Date of grant	Option price	Exercised date
50,000	8 March 1999	25.66p	12 February 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 2009 is as follows:

	At 1 January 2009	Changes during the year: Options Exercised	Options granted	Options lapsed	At 31 December 2009
Shares issued to date	400,000	50,000	-	-	**450,000**
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**

20. 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:				
Analytical Ventures Limited				
Current Account	29		1	-
Dragon Retail Properties Limited				
Current account	40		40	-
Loan account	-		(1,205)	225
Bisichi Mining PLC				
Current account	348	(i)	143	-
Directors and key management				
M A Heller and J A Heller	11	(ii)	-	-
H D Goldring (Delmore Asset Management Limited)	(22)	(iii)	-	-
Totals at 31 December 2009	**406**		**(1,021)**	**225**
Totals at 31 December 2008	302		(1,306)	7

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 Note 10 and 11.

Analytical Ventures Limited (joint venture)
Analytical Ventures Limited (Analytical Ventures) is owned 50 per cent by the company and 50 per cent by the Bank of Scotland.

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 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 (2008: £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 (2008: £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 consultancy 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 (2008: £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 £2,192,000 (2008: £1,656,000). All other disclosures required including interest in share options in respect of those directors are included within the remuneration report.

21. Employees

The average number of employees, including directors, of the Group during the year involved in management and administration was 37 (2008: 43).

	2009 £'000	2008 £'000
Staff costs during the year were as follows:		
Salaries and other costs	**2,575**	2,133
Social security costs	**325**	280
Pension costs	**461**	416
	3,361	2,829

22. Capital Commitments

	2009 £'000	2008 £'000
Commitments to capital expenditure contracted for at the year end	**500**	-

The Group's share of capital commitments of joint ventures at the year end amounted to £Nil (2008: £Nil).

23. Commitments under operating and finance leases

Operating leases on land and buildings

At 31 December 2009 the Group has total of future minimum commitments under non-cancellable operating leases on land and buildings as follows:

	2009 £'000	2008 £'000
Within one year	**390**	392
In the second to fifth years inclusive	**1,495**	1,566
After five years	**-**	325
	1,885	2,283

Operating lease payments represent rentals payable by the Group for its office premises.

The leases are for an average term of 6 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**	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Accounts payable under finance leases:				
Within one year	**1,874**	1,874	**1,874**	1,874
In the second to fifth years inclusive	**7,497**	7,497	**6,967**	6,925
After five years	**234,145**	236,019	**20,644**	18,439
	243,516	245,390	**29,485**	27,238
Future finance charges on finance leases	**(214,031)**	(218,152)	**-**	-
Present value of finance lease liabilities	**29,485**	27,238	**29,485**	27,238

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.

Future aggregate minimum rentals receivable

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:

	2009 £'000	2008 £'000
Within one year	**13,156**	12,842
In the second to fifth years inclusive	**48,079**	46,793
After five years	**67,808**	65,613
	129,043	125,248

24. Contingent Liabilities

There were no contingent liabilities at 31 December 2009 (2008: £Nil).

25. Company financial statements

Company balance sheet at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	25.3	**87,333**	98,101
Other investments:			
Associated company	25.4	**358**	358
Subsidiaries and others	25.4	**46,290**	46,400
	25.4	**46,648**	46,758
		133,981	144,859
Current assets			
Debtors	25.5	**19,638**	38,970
Investments	25.6	**702**	2,330
Bank balances		**6,653**	5,849
		26,993	47,149
Creditors			
Amounts falling due within one year	25.7	**(25,171)**	(39,387)
Net current assets		**1,822**	7,762
Total assets less current liabilities		**135,803**	152,621
Creditors			
Amounts falling due after more than one year	25.8	**(81,063)**	(100,580)
Net assets		**54,740**	52,041
Capital and reserves			
Share capital	25.10	**8,392**	8,232
Share premium account	25.11	**5,042**	5,236
Capital redemption reserve	25.11	**47**	47
Revaluation reserve	25.11	**13,779**	10,549
Treasury shares	25.10	**(4,558)**	(6,237)
Retained earnings	25.11	**32,038**	34,214
Shareholders' funds		**54,740**	52,041

These financial statements were approved by the board of directors and authorised for issue on 16 April 2010 and signed on its behalf by:

M A Heller
Director

R J Corry
Director

Company Registration No. 341829

25.1. 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 fair value adjustments in respect of current asset investments and interest rate hedges and in accordance with applicable accounting standards. All accounting policies applied are consistent with those of prior periods.

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges, but should be shown at open market value. This is contrary to the Companies Act 2006 which states that, subject to any provision for depreciation 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 2006 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 25.3. 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.

The financial statements have been prepared on a going concern basis. Further details of which are contained in the Directors' report.

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 Practice Statements contained within the RICS valuation standards 2008 prepared by 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 33 per cent per annum, and motor cars - 20 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 Ventures Limited and Dragon Retail Properties Limited (unlisted joint ventures), Bisichi Mining PLC (listed associate), and in unlisted companies which are all held for the long term. Provision is made for any impairment in the value of fixed asset investments.

b) Investments held as current assets:

Investments held for trading are included in current assets and are revalued 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.

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 company uses derivative financial instruments to hedge the interest rate risk associated with the financing of the company's business. No trading in such financial instruments is undertaken. At each reporting date, these interest rate derivatives are recognised at their fair value to the business, being the Net Present Values of the difference between the hedged rate of interest and the rate of interest for the remaining period of the hedge.

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 arising from any adjustment to the fair value to the business is recognised in the income statement.

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.

25.2. Profit/(loss) for the financial year

The company's profit for the year was £1,613,000 (loss 2008: £11,212,000). In accordance with the exemption conferred by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account.

25.3. Tangible assets

	Investment Properties			Office Equipment
	Total £'000	**Freehold £'000**	**Long leasehold £'000**	**and motor vehicles £'000**
Cost or valuation at 1 January 2009	98,916	70,532	26,660	1,724
Additions	725	592	-	133
Disposals	(12,831)	(12,750)	-	(81)
Increase/(decrease) on revaluation	1,484	4,304	(2,820)	-
Cost or valuation at 31 December 2009	**88,294**	**62,678**	**23,840**	**1,776**
Representing assets stated at:				
Valuation	86,518	62,678	23,840	-
Cost	1,776	-	-	1,776
	88,294	**62,678**	**23,840**	**1,776**
Depreciation at 1 January 2009	815	-	-	815
Charge for the year	203	-	-	203
Disposals	(57)	-	-	(57)
Depreciation at 31 December 2009	**961**	**-**	**-**	**961**
Net book value at 1 January 2009	98,101	70,532	26,660	909
Net book value at 31 December 2009	**87,333**	**62,678**	**23,840**	**815**

The freehold and long leasehold properties were valued as at 31 December 2009 by external professional firms of chartered surveyors. The valuations were made at open market value on the basis of existing use. The increase in book value was transferred to revaluation reserve.

	2009 £'000	2008 £'000
Allsop LLP	**82,495**	93,515
BNP Paribas Real Estate	**4,023**	3,677
	86,518	97,192

The historical cost of investment properties, including total capitalised interest of £1,222,000 (2008: £1,222,000) was as follows:

	Freehold £'000	**Long Leasehold £'000**
Cost at 1 January 2009	68,526	18,080
Additions	592	-
Disposals	(14,496)	-
Cost at 31 December 2009	**54,622**	**18,080**

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

25.4. Other investments

	Total £'000	Shares in subsidiary companies £'000	Loan stock in subsidiary companies £'000	Shares in in joint ventures £'000	Loan stock in joint ventures £'000	Shares in associate £'000	Unlisted shares £'000
At 1 January 2009	46,758	40,663	3,658	274	1,800	358	5
Impairment	(110)	-	-	(110)	-	-	-
At 31 December 2009	**46,648**	**40,663**	**3,658**	**164**	**1,800**	**358**	**5**

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

	Activity	% Held by company	% Held by Group
LAP Ocean Holdings Limited	Property investment	100	100
Antiquarius Limited	Property investment	-	100
Brixton Village Limited	Property investment	-	100
Market Row Limited	Property investment	-	100
Ski Investments 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

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 10 and 11.

25.5. Debtors

	2009 £'000	2008 £'000
Trade debtors	**382**	760
Amounts due from subsidiary companies	**17,601**	35,640
Amounts due from associate and joint ventures	**196**	148
Deferred tax asset (note 25.9)	**267**	1,350
Other debtors	**25**	92
Prepayments and accrued income	**1,167**	980
	19,638	38,970

25.6. Investments

	2009 £'000	2008 £'000
Market value of the listed investment portfolio	**702**	2,330
Unrealised deficit of market value over cost	**(467)**	(490)
Listed investment portfolio at cost	**1,169**	2,820

All investments are listed on the London Stock Exchange.

25.7. Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdrafts (unsecured)	**7,191**	7,277
Amounts owed to subsidiary companies	**9,729**	22,817
Amounts owed to joint ventures	**1,165**	1,454
Corporation tax	**741**	1,824
Other taxation and social security costs	**576**	282
Other creditors	**360**	756
Accruals and deferred income	**5,409**	4,977
	25,171	39,387

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

	2009 £'000	2008 £'000
Interest rate derivatives	**3,082**	9,926
Term 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*	**9,787**	9,770
	21,487	21,470
Term bank loans:		
Repayable after more than two years*	**56,494**	69,184
	81,063	100,580

*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 16.

Repayment of borrowings

Bank loans and overdrafts:		
Repayable within one year	**7,191**	7,277
Repayable between two and three years	**56,494**	69,184
	63,685	76,461
Debentures:		
Repayable between three and five years	**5,000**	5,000
Repayable in more than five years	**16,487**	16,470
	85,172	97,931

Hedge profile
There is a hedge to cover part of the £90 million revolving credit facility, which currently covers the full £56 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.

At the year end the amount recognised was £2,219,000 deficit (2008: £7,147,000 deficit) being the estimated financial effect of the fair value to the business of these hedging instruments less the deferred tax thereon.

The Directors have estimated the financial effect of the fair value to the business of these hedging instruments. This has been calculated as the Net Present Value of the difference between the 18 year interest rate, which was 4.38 per cent at 31 December 2009 against the rate payable under the specific hedge. This has given a liability at 31 December 2009 of £3,082,000 (2008: £9,926,000) as shown in the balance sheet. The banks own initial quotations at 31 December 2009 to close each of the hedges were £9,565,000 (2008: £14,182,000).

The hedges are not deemed to be eligible for hedge accounting, as the banks have an option to cancel the hedge in January 2015, even though this is after the expiry of the term loans and the level of the hedges closely equate to the amount of the loans outstanding. Any movement in the value of the hedges has therefore to be charged directly to the Income Statement.

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

Fair value of financial instruments

Fair value estimation

Effective 1 January 2009, the Group adopted amendment to FRS 29 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	**2009 Gain/(loss) to income statement £'000**
Financial assets					
Other financial assets held for trading					
Quoted equities	**702**	**-**	**-**	**702**	**178**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**-**	**-**	**3,082**	**3,082**	**6,844**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	2008 Gain/(loss) to income statement £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	2,330	-	-	2,330	(1,530)
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	-	-	9,926	9,926	(10,882)

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**	**2009 Total £'000**
Bank overdrafts (floating)	**7,191**	**-**	**-**	**7,191**
Debentures (fixed)	**-**	**5,000**	**16,700**	**21,700**
Bank loans (floating)*	**-**	**56,679**	**-**	**56,679**
Trade and other payables (non-interest)	**17,980**	**-**	**-**	**17,980**
	25,171	**61,679**	**16,700**	**103,550**

	Less than 1 year £'000	2-5 years £'000	Over 5 years £'000	2008 Total £'000
Bank overdrafts (floating)	7,277	-	-	7,277
Debentures (fixed)	-	5,000	16,700	21,700
Bank loans (floating)*	-	69,429	-	69,429
Trade and other payables (non-interest)	32,110	-	-	32,110
	39,387	74,429	16,700	130,516

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 with appropriate interest derivatives. Details of the hedges are shown above.

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

Total financial assets and liabilities

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

	2009 Fair Value £'000	**2009 Carrying Value £'000**	2008 Fair Value £'000	2008 Carrying Value £'000
Cash and cash equivalents	**6,653**	**6,653**	5,849	5,849
Investments	**702**	**702**	2,330	2,330
Other assets	**19,638**	**19,638**	38,970	38,970
Bank overdrafts	**(7,191)**	**(7,191)**	(7,277)	(7,277)
Bank loans	**(56,679)**	**(56,494)**	(69,429)	(69,184)
Derivative liabilities	**(3,082)**	**(3,082)**	(9,926)	(9,926)
Other liabilities	**(17,980)**	**(17,980)**	(32,110)	(32,110)
Before debentures	**(57,939)**	**(57,754)**	(71,593)	(71,348)

Additional details of borrowings and financial instruments are set out in notes 16 and 17.

25.9. Provisions for liabilities and charges

	2009 £'000	2008 £'000
Deferred Taxation		
Balance at 1 January	(1,350)	1,337
Transfer to profit and loss account	1,083	(2,687)
Balance at 31 December	**(267)**	(1,350)

No provision has been made for the approximate taxation liability at 28 per cent (2008: 28 per cent) of £992,000 (2008: £649,000) which would arise if the investment properties were sold at the stated valuation.

The deferred tax balance comprises the following:		
Accelerated capital allowances	**1,189**	1,184
Fair value of interest derivatives	**(863)**	(2,779)
Short-term timing differences	**233**	285
Losses	**(826)**	(40)
Provision at end of period	**(267)**	(1,350)

25.10. Share capital

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

25.11. Reserves

	Share Premium Account £'000	**Capital redemption reserve £'000**	**Revaluation reserve £'000**	**Retained Earnings £'000**	**Total £'000**
Balance at 1 January 2009	5,236	47	10,549	34,214	50,046
Increase on valuation of investment properties	-	-	1,484	-	1,484
Retained profit for year	-	-	-	1,613	1,613
Dividends paid in year	-	-	-	(885)	(885)
Loss on disposal of Treasury Shares	-	-	-	(1,158)	(1,158)
Capitalisation issue of new ordinary shares and expenses	(194)	-	-	-	(194)
Transfer of realised revaluation loss	-	-	1,746	(1,746)	-
Balance at 31 December 2009	**5,042**	**47**	**13,779**	**32,038**	**50,906**

25.12. Related party transactions

Details of related party transactions are given in note 20.

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

25.13. Capital commitments

	2009 £'000	2008 £'000
Commitments to capital expenditure contracted for at the year end	**-**	-

25.14. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2009 £'000	2008 £'000
Expiring in more than five years	**390**	392

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amount to £323,000 (2008: £326,000), the leases on which expire in more than fifty years.

25.15. Contingent liabilities

There were no contingent liabilities at 31 December 2009 (2008: £Nil).

FIVE YEAR FINANCIAL SUMMARY

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Portfolio size					
Investment properties-group^	**214**	219	248	193	117
Investment properties-joint ventures	**13**	13	3	91	140
Investment properties-associate	**12**	12	15	17	15
	239	244	266	301	272
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**-**	9.18	112.71	50.70	2.72
Disposals at book value	**(17.79)**	(15.33)	(41.37)	(1.62)	(6.70)
Capital Expenditure	**3.46**	9.73	9.15	5.13	3.34
	(14.33)	3.58	80.49	54.21	(0.64)
Consolidated income statement	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures	**17.07**	16.77	14.26	11.84	12.39
Less: attributable to joint venture partners	**(0.52)**	(0.27)	(1.23)	(3.95)	(4.52)
Group rental income	**16.55**	16.50	13.03	7.89	7.87
Profit/(loss) before interest and tax	**20.49**	(24.91)	(16.59)	21.76	21.48
Profit/(loss) before tax	**21.41**	(57.27)	(23.89)	18.32	17.89
Taxation	**2.36**	(9.81)	(11.38)	3.11	3.04
Profit/(loss) attributable to shareholders	**19.05**	(47.45)	(12.50)	15.22	14.85
Earnings/(loss) per share - basic	**24.32p**	(62.30p)	(16.40p)	20.00p	18.83p
Earnings/(loss) per share - fully diluted	**24.32p**	(62.30p)	(16.40p)	19.97p	18.79p
Dividend per share	**1.95p***	1.95p*	1.95p	1.85p	1.725p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders funds	**59.10**	40.30	88.99	101.86	88.34
Net borrowings	**145.65**	157.17	147.54	86.12	44.14
Net gearing	**246.44%**	390.01%	165.79%	84.55%	49.97%
Net assets per share - basic	**74.22p**	52.73p	116.86p	133.62p	116.04p
- fully diluted	**74.19p**	52.70p	116.73p	133.47p	115.88p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Net cash inflow from operating activities	**12.18**	12.02	3.97	3.44	3.88
Capital investment and financial investment	**13.94**	(6.09)	9.84	(26.86)	0.69

Notes: ^Excluding the present value of head leases

*Equivalent dividend includes new issue shares equal to 0.8p

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 Seventieth Annual General Meeting of London & Associated Properties PLC (the "Company") will be held at the RAC Club, 89 Pall Mall, London SW1Y 5HS on Monday 7 June 2010 at 10.30 a.m. for the transaction of the following business:

Ordinary 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 financial year ended 31 December 2009 together with the directors' report and the auditors' report on those accounts. **(Resolution 1)**

2 To approve the remuneration report for the financial year ended 31 December 2009. **(Resolution 2)**

3 To declare and approve a final dividend of 0.4p per share. **(Resolution 3)**

4 To re-elect as a director Mr M A Heller. **(Resolution 4)**

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

6 To reappoint Baker Tilly UK Audit LLP as auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting. **(Resolution 6)**

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

Special business

8 THAT:

8.1 the directors of the Company be generally and unconditionally authorised under section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"):

8.1.1 up to an aggregate nominal amount of £2,726,200; and

8.1.2 comprising equity securities (as defined in section 560(1) of the Companies Act 2006), up to a further aggregate nominal amount of £2,726,200 should not exceed 1/3 of existing issued share capital in connection with an offer by way of a rights issue to:

8.1.2.1 ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and

8.1.2.2 holders of other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities,

but subject to such exclusions and other arrangements as the directors may consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares or any legal, regulatory or practical problems under the laws of any territory (including the requirements of any regulatory body or stock exchange) or any other matter;

8.2 such authorities shall expire (unless previously revoked by the Company) on the conclusion of the next Annual General Meeting of the Company and in each case the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after the authority has expired and the directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that this authority has expired; and

8.3 all previous authorities to allot shares or grant Rights, to the extent unused, shall be revoked. **(Resolution 8)**

9

9.1 Pursuant to Article 141 of the Articles of Association of the Company, to capitalise an amount of up to £672,000 (being part of the sum standing to the credit of the Company's share premium account), being such amount as the directors may determine for the purposes of paying up new ordinary shares of 10 pence each ("Ordinary Shares") to be issued in lieu of paying a cash dividend equivalent to 0.80p per Ordinary Share (the "Capitalisation Issue Shares") and to authorise the directors to apply such amount in paying up the Capitalisation Issue Shares and to take all such other steps as they may deem necessary or desirable in connection with, or to implement, such capitalisation; and

9.2 in addition, and separate, to the authority conferred on the directors by resolution 8, to authorise the directors generally and unconditionally, under section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot the Capitalisation Issue Shares up to an aggregate nominal amount of £672,000 credited as fully paid, to the holders of Ordinary Shares on the register on such record date as the directors may determine with authority to deal with fractional entitlements arising out of such allotment as they think fit and to take all such other steps as they may deem necessary or desirable to implement such allotment. The authority given by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2011. During the period the authority given by this resolution subsists, the directors can make offers and enter into agreements which would or might require shares to be allotted after the expiry of such period and the directors may allot shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. **(Resolution 9)**

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

10 THAT:

10.1 subject to the passing of resolution 8, the directors of the Company shall have power under section 570 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash under the authority conferred upon them by resolution 8 as if section 561 of the Companies Act 2006 did not apply to any such allotment and this power shall be limited to:

10.1.1 the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under paragraph 8.1.2 of resolution 8, by way of a rights issue only) to:

10.1.1.1 ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and

10.1.1.2 holders of other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities,

but subject to such exclusions and other arrangements as the directors may consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares or any legal, regulatory or practical problems under the laws of any territory (including the requirements of any regulatory body or stock exchange) or any other matter; and

10.1.2 the allotment of equity securities (otherwise than under paragraph 10.1.1 of this resolution) up to an aggregate nominal amount of £419,610 (representing approximately 5 per cent of the issued share capital of the Company);

10.2 this power applies in relation to a sale of treasury shares which constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 as if the words "under the authority conferred upon them by resolution 8" were omitted from the introductory wording to paragraph 10.1 of this resolution; and

10.3 this power shall expire when the authority given by resolution 8 is revoked or expires, 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 that offer or agreement as if the power conferred hereby had not expired. **(Resolution 10)**

11 THAT the Company be, and it is hereby, generally and unconditionally authorised for the purpose of sections 693 and 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) 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:

11.1 the maximum aggregate number of ordinary shares authorised to be purchased is 8,392,203;

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

11.3 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:

11.3.1 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

11.3.2 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;

11.4 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 2011 or 15 months from the date of the Annual General Meeting at which this resolution is passed, whichever is the earlier; and

11.5 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 11)**

Carlton House
22a St James's Square
London SW1Y 4JH

By order of the board
Michael Stevens
Secretary

Registered in England & Wales
Number 341829
16 April 2010

NOTES

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote on your behalf at the meeting of the Company.
2. The return of a completed proxy form, other such instrument or any CREST proxy instruction (as described in paragraph 14 below) does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To be valid any proxy form or other instrument appointing a proxy must be:
   - completed and signed;
   - sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham, Kent, BR3 4TU; and
   - received by Capita Registrars no later than 10.30am on 5 June 2010.
7. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.

8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

9. As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 10.30am on 5 June 2010.

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.

12. (a) 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 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.

    (b) The statement of the rights of shareholders in relation to the appointment of proxies in paragraph (1) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

13. As at 15 April 2010 (being the last business day prior to the publication of this Notice) the issued share capital of the Company consists of 79,628,978 ordinary shares of 10 pence each, carrying one vote each. Therefore, the total number of voting rights of the Company as at 15 April 2010 is 79,628,978.

14. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 10.30am on 7 June 2010 and any adjournment(s) thereof 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 voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. 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 takes) 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 sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

15. Only those members entered on the register of members of the Company at 6.00 p.m. on 5 June 2010 or, in the event that the meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 5 June 2010 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

16. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

17. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:

    - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the meeting to answer the question.

18. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

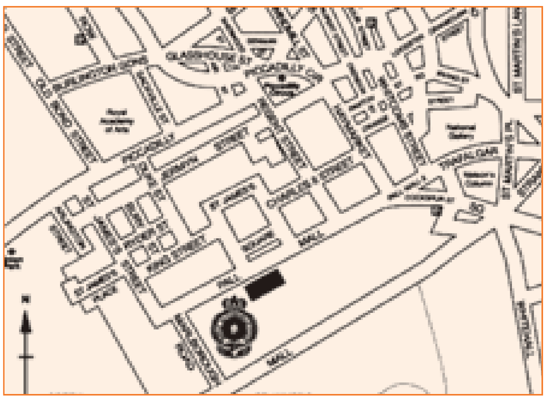
19. A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.lap.co.uk.

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



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 [*] ordinary shares being 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 Monday 7 June 2010 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.*

Resolutions Please mark x to indicate how you wish to vote.	**For**	**Against**	**Vote Withheld**
1 To receive and adopt the company's annual accounts for the year ended 31 December 2009 together with the directors' reports and the auditors' reports on those accounts.			
2 To approve the remuneration report for the year ended 31 December 2009.			
3 To declare and approve a final dividend of 0.4p per share.			
4 To re-elect as a director Mr M A Heller.			
5 To re-elect as a director Mr H D Goldring.			
6 To reappoint Baker Tilly UK Audit LLP as auditors.			
7 To authorise the directors to determine the remuneration of the auditors.			
8 To authorise the directors to allot relevant securities.			
9 In connection with the proposed capitalisation issue: (a) to give the directors authority to capitalise £672,000 of the company's share premium account and apply this sum in paying up ordinary shares of 10 pence each; and (b) to give the directors authority to allot such ordinary shares of 10 pence each.			
Special Resolutions			
10 To empower the directors to disapply statutory pre-emption rights.			
11 To authorise the company to make market purchases of its own shares.			

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 0321 from within the UK or +44 208 639 3399 from outside the UK. Calls to the 0871 number cost 10 pence per minute plus your service provider's network extras, lines are open Monday to Friday 8.30am to 5.30pm. 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 As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 10.30am on 5 June 2010.

4 Please indicate with an X how you wish your votes to be cast. Any alterations made to this form should be initialled.

5 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.

6 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.

7 If the appointor 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 appointor or his attorney.

8 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: **PXS, 34 Beckenham Road, Beckenham, Kent, United Kingdom 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 timefixed for the adjourned meeting.
Proxies may be delivered to PXS by hand at the above address during normal business hours.
Postage by Shareholders outside the UK: Shareholders with addresses outside the UK should post the Form of Proxy in a stamped envelope to: **PXS, 34 Beckenham Road, Beckenham, Kent, United Kingdom BR3 4TU**.

9 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.

10 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.

11 The completion of this form will not preclude a member from attending the meeting and voting in person.

12 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at 6.00 p.m. on 5 June 2010 or, in the event that the meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to entries in the register of members by the close of business on 5 June 2010 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting or at any such adjournment.

Full Name **(BLOCK CAPITALS PLEASE)**

Address

Signed this day of 2010 (Signature)

Second Fold

Business Reply Service
Licence Number
RSBH-UXKS-LRBC

1

PXS
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

Third Fold

Tuck inside facing flap

First Fold

Cut out along dotted line

design **www.sg-design.co.uk**
photography **Palmer Aldritch**
print **Printhouse corporation**

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Is manufactured to ISO 14001 and EMAS (Eco-Management & Audit Scheme) international standards, minimising negative impacts on the environment.
This annual report is produced at a printing group with FSC & Carbon Neutral accreditations using vegetable based inks.

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