London & Associated Properties PLC

Annual report and accounts 2011

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Financial calendar

Annual General Meeting **Wednesday 30 May 2012**
First interim management statement **Friday 18 May 2012**
Announcement of half year results to 30 June 2012 **Late August 2012**
Second interim management statement **Friday 16 November 2012**
Announcement of annual results for 2012 **Late April 2013**

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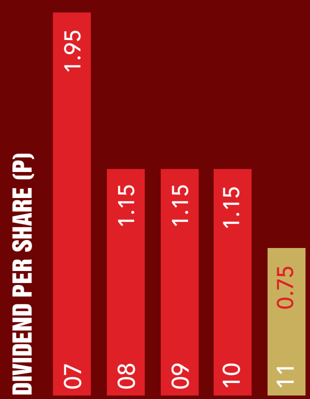
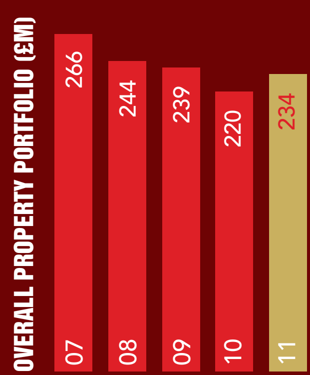




During 2012 a number of our major tenants will have rent reviews and we are confident that overall these units will show a significant increase in income

WINDSOR

KING EDWARD COURT

The economic environment continues to be challenging. Against this background, we are pleased to report on another period of satisfactory progress for LAP. The quality of our portfolio, particularly our key shopping centres, when combined with our strategic management expertise has protected us from the worst of the property recession.

Chairman and Chief Executive's statement

We are also pleased that operating profit after financing charges has shown a major turnaround to a profit of £0.884 million for the 12 months to 31 December 2011 from a loss of £0.812 million in 2010. We expect this trend to continue. We have sustained our rental income at £15.4 million (2010: £15.6 million) on investment properties we still hold.

As at 31 December 2011, our directly owned portfolio of shopping centres and other retail properties was independently valued at £194 million (2010: £195 million). This followed the sale of Phelps Cottage in Islington during 2011 for £0.9 million (against a book value of £0.6 million). Over the years we have always managed our assets intensively and disposed of them when they are deemed to have reached maturity.

During 2011, we obtained vacant possession of a unit formerly let to Boots at Windsor. This has provided a major opportunity to re-configure the space and produce an increased overall rent. On a like-for-like basis, Group rental income during the year grew by 2%, after adjusting for the Boots unit under development.

2011 was a difficult year for retailers and there have been several major retail insolvencies in the sector. We have not been immune, but our spread of retail tenants within the portfolio has provided some protection. With the exception of one unit in Halifax, all the units affected have remained trading under their pre-pack arrangements with their successors taking new leases. Void levels, at under 2% of our portfolio by rental value, continue to remain low notwithstanding these retailers' failures.

As mentioned in last year's statement we have looked at differing methods of funding new property opportunities. As part of this we acquired a shopping centre at Langney, near Eastbourne in a new Joint Venture with a fund managed by Columbus Capital Management LLP, part of Schroders' real estate investment and asset management business. We have invested £887,500 for a 12.5% interest in the Joint Venture. Additionally London & Associated Management Services (LAMS), our asset management subsidiary, has been appointed to manage the property for an on-going management fee.

We report on our major centres as follows:

King Edward Court, Windsor

Following our programmes of disposing of mature assets, this centre accounts for almost one half of the value of our portfolio. As already stated, during 2011 we took back the Boots unit which we are in the process of dividing into three separate retail units. New lettings have been agreed with Superdry (the fashion retailer) and Cotswold Outdoor (the outdoor clothing and equipment specialist). The third unit is currently being marketed and we have interest from a number of national retailers. We expect to be able to report further progress on this unit in due course.

Elsewhere in the centre Gatward the Jewellers, an existing tenant, has taken a new lease on the adjacent unit to their existing one and have opened a Rolex watch franchise. We have also agreed with a Timberland franchisee an assignment of a lease formerly held by Early Learning Centre. This is part of our continued policy to have an exciting mix of tenants at King Edward Court.

The car park continues to operate at the same high level as last year.

During 2012 a number of our major tenants will have rent reviews and we are confident that overall these units will show a significant increase in income.

Orchard Square, Sheffield

Orchard Square, Sheffield, continues to perform satisfactorily. A single unit has become available for the first time in several years and interest in it has been encouraging. We continue to generate strong income from this centre and it continues to be otherwise fully let.

Kings Square, West Bromwich

In spite of the difficulties experienced in most West Midlands economies, our centre at West Bromwich (Kings Square) has the same high level of occupancy as last year. Sandwell College, which will house some 11,000 students, has opened to the rear of our Centre and this has further increased footfall.

Bon Marché, which has a substantial unit in the centre, wishes to continue to trade their unit and we have agreed terms for a new lease at the same rent.

Brixton Market

Our two indoor markets were let on 25 year leases from 1 April 2011 to In Shops Limited, a subsidiary of Groupe Geraud, who operate 200 markets across Europe.

Although LAP had already established Brixton Village as a quality cafe and restaurant location, Groupe Geraud has built on our earlier success.

They have already made progress on an extensive scheme of redecoration and refurbishment. As a result both markets (Brixton Village and Market Row) are trading at unprecedented levels.

Our agreement with Groupe Geraud includes a base rent of £817,500 plus a 50% profit share, once income received exceeds a certain level. Current trading there exceeds that level by some margin.

Interestingly, several of the cafes and restaurants located within the markets now have their own websites and have been reviewed in the national papers.

Our arrangement with Groupe Geraud will establish a strong income stream together with a saving in our head office costs which we have already started to see.

PROPERTY R

Halifax

Trading at this centre, which we continue to own in a 50:50 joint venture with Lloyds Banking Group (formerly HBoS), continues to be strong, despite the loss of a single tenant which went into administration. Interest in the empty unit has been very encouraging, and we are now under offer to let the unit to a national retailer.

We are also pleased to report that Tesco has re-geared its lease for a further 10 years with an uplift in rent of some 33% being achieved.

We have also entered into negotiations with the Council as tenant of most of the upper parts, to adjust their lease and create a greater period of income certainty. These negotiations are almost finalised and should have a positive impact on values.

Commentary on reported results
International Financial Reporting Standards (IFRS)

We prepare our accounts under International Financial Reporting Standards (IFRS). Unfortunately these Standards require a rigid approach to hedging instruments. In order to provide certainty over the maximum level of our interest payments (which are a significant element of our expenses) we entered into a swap arrangement the effect of which is that we pay interest at a fixed rate (see note 17). Even though we do not trade these swaps, there is no requirement for us to settle them early and the interest cost is expensed as incurred, the Standards require us to recognise the theoretical impact of "marking to market value" the hedging instrument at each balance sheet date. This market to market valuation is highly volatile and is a direct reflection of the low levels of term interest rates. We show below under both IFRS and the standards of the European Real Estate Association (EPRA) our net assets.

Net assets £'000	2011	2010
Exclude swap valuation	70,779	69,388
As disclosed with swap valuation	39,929	55,761

Under EPRA, which is used by most property companies, our net assets stood at £67.9 million in December 2011 compared to £72.1 million in December 2010. Under EPRA net asset per share is now 80.9p compared to 87.5p a year ago. The detail of this calculation is shown in the Finance Director's Report.

Operating profit before financing charges, on a management adjusted basis, grew to £12.2 million compared with £11.1 million in 2010. This excludes the impact of property valuations and the effect of marking to market the hedging instruments.

London & Associated Management Services

Our management company, LAMS, is already building a good reputation in the asset management sector. We have taken on further work from administrators and banks by managing shopping centres on their behalf. For this we are paid an on–going management fee with a further success fee payable on the final disposal of the centres. This has produced extra revenue for the Group and is a growing area of our business during these difficult times.

Total Group assets, including those of Bisichi Mining PLC, our associate company, and Dragon Retail Properties, our joint venture with Bisichi, stand at £289 million (2010: £289 million).

Bisichi Mining PLC

Bisichi Mining PLC, in the second half of 2011, enjoyed the benefit of higher coal prices and achieved a significant turnaround in profitability compared to the first half of the year.

Banking

Our £44.1 million Revolving Credit Facility with RBS expires in September this year. Discussions on the renewal of this facility have commenced and we will report more fully when these discussions are concluded but we are confident at this stage that we will reach a satisfactory result.

Dividends

The Board has taken the decision not to pay a final dividend. This means the total dividend for the year is 0.75p per share. This is necessary to retain cash in the business and adopt a cautious approach during this period of economic uncertainty although we hope to resume a dividend in 2012.

Finally we have sub–let our office space at St James's Square and have moved to new premises at 24 Bruton Place, London W1. This will save the business £0.4 million per annum.

We would like to thank all of the Directors, staff and advisors who have contributed to our progress in what has been a very demanding 12 months during 2011.

Michael Heller,
Chairman

John Heller,
Chief Executive

20 April 2012

We continue to generate strong income from this centre and it continues to be fully let

SHEFFIELD
ORCHARD SQUARE

"Brixton Village is home to the most vibrant restaurant scene in London"

Jay Rayner, The Observer

BRIXTON MARKETS

During 2011 management of our cash flow remained a vital priority for the Group since the provision of new finance for property companies remains restricted.

As mentioned elsewhere in this report, our new joint venture with Columbus Capital Management LLP, part of Schroders real estate investment and asset management business, purchased a shopping centre in Langney, Eastbourne. Our investment for a 12.5% interest was £887,500. Our management subsidiary, London & Associated Management Services, is managing this property on behalf of the Joint Venture. We have also been instructed to manage various shopping centres on behalf of administrators and banks which is producing a very useful further revenue stream into the Group.

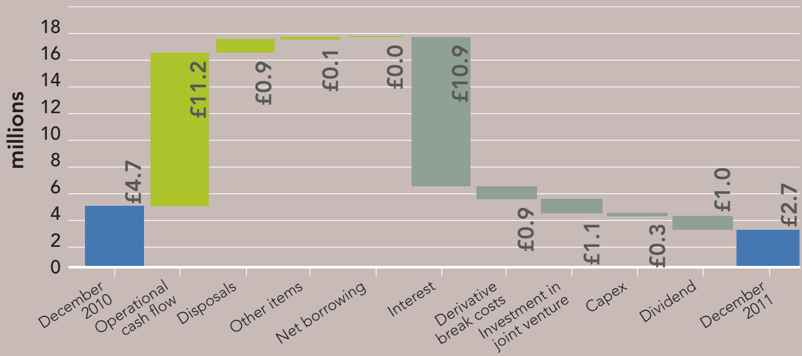
Cash flow

Our only disposal during 2011 was of Phelps Cottage in Islington for £0.9 million. The proceeds were used to pay down borrowings.

During the year term debt remained at the same level of £136.8 million (2010 £136.8 million). We paid down the Revolving Credit Facility ("RCF") by £0.9 million to reduce it to £44.1 million and we also converted an overdraft facility into a new 4 year term debt which is being amortised over the term. We have cancelled the remaining undrawn balance of the RCF. As mentioned above the RCF is due to expire in September this year and is being refinanced. We are currently in discussions which are on-going with the bank and we will report more fully when appropriate but we are confident at this stage that they will reach a satisfactory result.

Finance Director's report

The utilisation of the cash over the year is shown in the bar chart below:



Income Statement

The income statement has been presented in a different format this year to better illustrate the performance of the various activities of the group. As can be seen, the Group has made an operating profit after financing charges, of £0.884 million, representing a considerable improvement on the loss of the previous year of £0.812 million. This has been achieved primarily as a result of a reduction in Group overheads of some £1.1 million and interest savings of £0.6 million.

Total rental income in the year was £16.4 million (2010: £16.0 million). An analysis of the rental income during the year is as follows:

	2011 £'000	2010 £'000
Annual rental income from properties still held	**15,420**	15,550
Surrenders	**943**	–
Income from properties sold	**16**	435
Revenue as per income statement	**16,379**	15,985

At the start of the year Boots surrendered its lease in Windsor which reduced the annual rental by £400,000. This has now been sub–divided into 3 separate units, two of which have been pre–let to Superdry and Cotswold Outdoor. Income from these three units will exceed that previously achieved and if this is added back to the annual rental from properties still held, this shows a growth in group income in the year of almost 2%, a very creditable performance in this difficult trading period.

Overheads are constantly under review and we are trying to reduce them wherever we can. In this regard we are relocating our head office in London which should save a further £0.4 million per annum on an annualised basis.

The revaluation and other movements, associates and joint ventures in the income statement show the distortion caused by valuing the hedging instruments at a theoretical market value. A series of swaps were contracted in 2007 to remove the risk to our cash flow of higher interest rates. We are required to show the Net Present Value of the estimated future difference between the long term cost of our fixed rate instrument and the current interest rate. Clearly this is only relevant if the swap has to be cancelled but does not give a true picture of the ultimate liability or the financial position of the business. As these rates have fluctuated substantially in recent years, this has led to large and volatile movements in the IFRS calculation of the Group's net assets. Since the year end the movement in rates has reduced this negative movement by some £3.8 million before tax with a corresponding increase in the IFRS net assets.

The tax charge in the year is a credit of £3.7 million. This relates to deferred tax as there is no current tax in the year. The deferred tax too has arisen as a result of the movement in derivatives giving a credit of £7.7 million offset by other timing differences including the revaluation of properties and movements in capital allowances.

Balance Sheet

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

2011	**Per IFRS balance sheet £'000**	**Deferred tax £'000**	**Mark–to–market of interest swaps £'000**	**Head leases £'000**	**EPRA Adjusted net assets £'000**
Investment properties	222,409			(28,661)	**193,748**
Other fixed assets	2,482				**2,482**
Investments in associate and joint ventures	9,050				**9,050**
Other assets	8,614	(2,841)			**5,773**
Other liabilities	(68,964)		30,850	28,661	**(9,453)**
Net debt	(133,662)				**(133,662)**
Net assets	39,929	(2,841)	30,850	–	**67,938**
Adjusted NAV per share	47.5p				**80.9p**
2010					
Investment properties	223,610			(28,664)	194,946
Other fixed assets	2,558				2,558
Investments in associate and joint ventures	8,646				8,646
Other assets	4,809	2,607			7,416
Other liabilities	(52,377)	64	13,627	28,664	(10,022)
Net debt	(131,485)				(131,485)
Net assets	55,761	2,671	13,627	–	72,059
Adjusted NAV per share	66.7p				87.5p

Group net assets under IFRS were £39.9 million (2010: £55.8 million), but, under EPRA, the figure we consider to be more meaningful shows net assets of £67.9 million, equivalent to 80.9p per share. The EPRA NNNAV reduced to 47.5p per share (2010: 66.7p) having taken into account the mark-to-market value of the derivatives and tax.

Accounting judgments and going concern

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

The Directors exercise their commercial judgements when reviewing the Group's cash flow forecasts 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 and Chief Executive's Statement and in this Report. The Directors have also considered the on-going discussions with RBS on the renewal of the current £44.1 million RCF as referred to above. In addition the Directors considered the information in 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; its exposure to credit risk and liquidity risk.

With a quality portfolio comprising a majority of long leases and suitable financial arrangements, the Directors believe the company is well placed to manage its business risks successfully despite the continuing uncertain economic climate. 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 company is not proposing a final dividend so the total dividend for the year will remain at 0.75p paid at the half year. This will preserve cash within the Group whilst we see how the year develops.

Our associated company Bisichi Mining PLC, in which we hold a 42% stake, had a difficult first half to the year and suffered losses although it returned to profitability in the second half. The annual loss after taxation was £0.5 million. This figure is after a revaluation deficit under IFRS of £42,000.

I am confident that the continued policy of prudently managing the Group's cash resources will benefit us as we continue to face this period of economic uncertainty.

Robert Corry,
Finance Director

20 April 2012

In spite of the difficulties experienced in most West Midlands economies, our centre at West Bromwich remains almost fully let

WEST BROMWICH

KING'S SQUARE

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)

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. 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 Baronsmead VCT 2 plc, DiGiCo Europe Limited, ASL Technology Holdings Limited and BG Consulting Group Limited as well as being a Director of F&C US Smaller Companies plc. Clive is currently the President of the Institute of Chartered Accountants in England and Wales. He is chairman of the audit committee and as Senior Independent Director he chairs the Nomination and Remuneration Committees.

* Member of the nomination committee

Senior independent Director

† Member of the audit, remuneration and nomination committees

Secretary & registered office

Heather A Curtis ACIS
24 Bruton Place,
London W1J 6NE

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,
Shareholder Services,
The Registry,
34 Beckenham Road,
Beckenham,
Kent,
BR3 4TU

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

Directors' report

The Directors submit their report and the audited accounts, for the year ended 31 December 2011.

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 and Chief Executive's Statement and Finance Director's Report on the preceding pages 3 to 12 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. Whilst income may be adversely affected by the inability of tenants to pay their rent, rent collection and tenant quality are monitored carefully. Risk is also minimised by a 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 41 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 51.
- **Property valuations** – market sentiment and economic conditions have a direct effect on property valuations, which 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, which involves renting premises 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 of 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 29 and as discussed in the Finance Director's Report. Cash flow is shown on page 31.

Dividend Policy

An interim dividend for 2011 of 0.75p was paid on 20 January 2012 (2010: Interim dividend 0.75p paid on 22 January 2011). The Directors are not recommending payment of a final dividend for 2011 (2010: 0.4p).

The company's ordinary shares held in treasury

During 2011 the company issued 714,136 of its own shares from Treasury at an average price of 46.15p per ordinary share. The company also purchased 295,000 of its own ordinary shares of 10p each for treasury (being 0.35% of the issued ordinary shares). The effect of these combined transactions is shown in the table on page 15. At 31 December 2011 1,538,398 (2010: 1,957,534) ordinary shares were held in Treasury with a market value of £403,829 (2010: £822,164). At the Annual General Meeting (AGM) in June 2011 members renewed the authority for the company to purchase up to 10 per cent of its issued ordinary shares. The company will be asking members to renew this authority at the next AGM in May 2012.

Movements in Treasury shares during the year:	Transaction price	Number of shares
Treasury shares held at 1 January 2011		1,957,534
28 February 2011 – Issue of Treasury shares in lieu of Directors and staff bonuses	41.75p	(674,839)
21 September 2011 – Purchase of own shares for Treasury	34.00p	295,000
12 October 2011 – Issue of Treasury shares in lieu of a staff bonus	30.5p	(12,897)
12 October 2011 – Issue of Treasury shares in connection with the HMRC approved share incentive plan	30.5p	(26,400)
Treasury shares held at 31 December 2011		1,538,398

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 2011 by external professional firms of chartered surveyors – Allsop LLP, London (49.11 per cent of the portfolio), Jones Lang LaSalle Limited (48.81 per cent), and BNP Paribas, Leeds (2.08 per cent). The valuations, which are reflected in the financial statements, amount to £193.7 million (2010: £194.9 million).

Taking account of prevailing market conditions, the valuation of Group properties at 31 December 2011 resulted in a reduction of £1 million (2010: increase of £1.6 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, Dragon Retail Properties Limited and Langney Shopping Centre Unit Trust) and the associate company (Bisichi Mining PLC) was a reduction of £0.5 million (2010: increase of £1.4 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 are in place for the company, its subsidiaries and joint ventures in order to limit the effect of higher interest rates upon the Group.

Directors

M A Heller, J A Heller, R J Corry, H D Goldring, C A Parritt were Directors of the company for the whole of 2011. M C Stevens was a Director until he retired on 30 April 2011.

R J Corry, H D Goldring, J A Heller and C A Parritt are retiring by rotation at the Annual General Meeting in 2012 and offer themselves for re–election.

Brief details of the Directors offering themselves for re–election are as follows:

Robert Corry has been Finance Director since 1993. He has a contract of employment determinable upon six months notice. Robert Corry is a chartered accountant and has worked in the retail and real estate sectors for much of his career.

Howard Goldring has been a Director since 1992 and has a contract of service determinable upon 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.

John Heller has been a Director since 1998 and was appointed Chief Executive in September 2001. He has a contract of service determinable upon twelve months notice.

Clive Parritt has been a Director since January 2006 and has a contract of service determinable at three months notice and is the Senior Independent Director and chairman of the audit, nomination and remuneration committees. He is a chartered accountant with over 30 years experience in providing strategic, financial and commercial advice to business. The board has considered the re-appointment of Clive Parritt and recommends his re–election as a Director. His financial knowledge and broad commercial 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 11	1 Jan 11	31 Dec11	1 Jan 11
M A Heller	6,304,002	6,016,577	19,277,931	19,277,931
R J Corry	998,355	962,527	–	–
H D Goldring	19,819	19,819	–	–
J A Heller	1,630,649	1,923,320	†14,073,485	†14,073,485
C A Parritt	36,166	36,166	–	–
M C Stevens*	–	922,326	–	+1,163,088

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

\+ The non–beneficial interest of M C Stevens at 1 January 2011 arose by reason of his being a Director of London & Associated Securities Limited, a company which acts as a trustee.

* M C Stevens retired from his executive duties on 30 April 2011.

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

Between 1 January 2012 and the date of this report there were no changes in the Directors' holdings as detailed above.

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

Substantial shareholdings

At 31 December 2011 M A Heller and his family had an interest in 47.5 million shares of the company, representing 56.6 per cent of the issued share capital net of treasury shares (2010: 47.4 million shares representing 56.7 per cent) and Cavendish Asset Management Limited had an interest in 5,667,134 shares representing 6.75 per cent of the issued share capital of the company (2010: 5,186,065 shares representing 6.2 per cent).

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 2012 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 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 (Resolution 11).

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 2011 have confirmed that, so far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as a Director in order to make them 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) published by the Quoted Companies Alliance. The Alliance provides guidance to SQC and their guidance covers the implementation of The UK Corporate Governance Code for SQC. The paragraphs below set out how the company has applied this guidance during the year. The company has complied with the Quoted Companies Alliance 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 risk management and accountability 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 the chairman, the chief executive, two other executive Directors and two non–executive Directors, (one of the executive Directors retired on 30 April 2011). Their details appear on page 13. The board is responsible to shareholders for the proper management of the Group.

The Directors' responsibility statement in respect of the accounts is set out on page 25. The non–executive Directors have a particular responsibility to ensure that the strategies proposed by the executive Directors are fully considered. To enable the board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The board has a formal schedule of matters reserved to it and normally has eleven regular meetings scheduled each year. Additional meetings are held for special business when 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 a maximum of 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 21 to 23.
- The audit committee comprises the non–executive Directors and is chaired by C A Parritt. The audit committee report is set out on page 24.

Board and board committee meetings held in 2011

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

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

* M C Stevens retired on 30 April 2011

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 paying 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 UK Corporate Governance Code 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 and 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.

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 2011. 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.

Risk assessment

The audit committee has assessed the key risks to the group as follows:

Description of Risk	Description of Impact	Mitigation
Asset Management:		
Tenant failure	Financial loss	Initial and subsequent assessment of tenant covenant strength combined with an active credit control function
Leases not renewed	Financial loss	Lease expiries regularly reviewed. Experienced in house teams with strong tenant and market knowledge who manage appropriate tenant mix.
Asset illiquidity (size and geographical location)	Assets may be illiquid and affect flexing of balance sheet	Regular reporting of current and projected position to the Board with efficient treasury management
People:		
Retention and recruitment of staff	Unable to retain and attract the best people for the key roles. Loss of knowledge and key skills.	Nomination Committee and senior staff review skills gaps and succession planning. Training and development offered.
Reputation:		
Business interruption	Loss in revenue. Impact on footfall. Adverse publicity. Potential for criminal/civil proceedings.	Documented Recovery Plan in place. General and terrorism insurance policies in place and risks monitored by trained security staff. Health and Safety policies in place. CCTV in centres.
Financing:		
Fluctuation in property values	Impact on covenants and other loan and other loan agreement obligations	Secure income flows. Regular monitoring of LTV and IC covenants and other obligations. Focus on quality assets.
Reduced availability of borrowing facilities	Insufficient funds to meet existing debts/interest payments and operational payments	Efficient treasury management. Loan facilities extended where possible. Regular reporting of current and projected position to the Board.
Loss of cash and deposits	Financial loss	Only use a spread of banks and financial institutions which have a strong credit rating
Fluctuation of interest rates	Uncertainty of interest rate costs	Manage derivative contracts to achieve a balance between hedging interest rate exposure and minimising potential cash calls

Communication with shareholders

Prompt communication with shareholders is given high priority. Extensive information about the Group and its activities is provided in the Annual Report. In addition, a half–year report and two interim management statements are produced for each financial year and published on the company's website. The company's website www.lap.co.uk is promptly updated with announcements and Annual Reports upon publication. Copies from previous years are also available on the website.

The company's share price is published daily in the Financial Times. The share price history and market information can be found at http://www.londonstockexchange.com/prices-and-markets/markets/prices.htm. Our code is LAS.

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 both existing and potential new shareholders.

The Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011. Since that date all Directors and staff have been asked to complete an e-learning training course. The company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance of the code is closely monitored. A copy of the company's new Anti-Bribery Policy will be circulated in due course.

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 15.8 days annual trade purchases (2010: 5.4 days).

Donations

No political donations were made during the year (2010: £Nil). Donations for charitable purposes amounted to £2,000 (2010: £250).

Going concern

The Group's business activities, together with the factors likely to affect its future development are set out in the Chairman and Chief Executive's Statement on the preceding pages 3 to 6. The Finance Director's Report on pages 7 to 12 sets out the financial position of the company, its cash flows, liquidity position and borrowing facilities. The Directors have also considered the impact of the renewal of the £44.1 million Revolving Credit Facility with RBS which expires in September 2012, as has been set out in both the Chairman and Chief Executives Statement and the Finance Directors Report. 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 sufficient 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 Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS on Wednesday 30 May 2012 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 to 12 will be proposed as special resolutions. At least 75 per cent of shareholders' votes must be in favour for these resolutions to be passed. The Directors consider that all of the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole 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 9 – Authority to allot securities

Paragraph 9.1.1 of Resolution 9 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 £2,797,344. This represents approximately 33.3 per cent of the ordinary share capital of the company in issue (excluding treasury shares) as at 17 April 2012 (being the last practicable date prior to the publication of this Directors' Report).

In line with guidance issued by the Association of British Insurers ('ABI') paragraph 9.1.2 of Resolution 9 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 £2,797,344, 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) as at 17 April 2012 (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 do not currently intend to make use of this authority. However, if they do exercise the authority, the Directors intend to follow best practice as recommended by the ABI regarding its use (including as regards the Directors standing for re–election in certain cases).

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 2013, 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 £420,021 representing in accordance with institutional investor guidelines, approximately 5 per cent of the total ordinary share capital in issue as at 17 April 2012 (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 do not currently intend 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 8,554,271 ordinary shares (representing approximately 10 per cent of the company's issued share capital as at 17 April 2012 (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 2013 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 17 April 2012 (being the last practicable date prior to the publication of this Directors' Report) options were outstanding to subscribe for a total of 70,000 ordinary shares representing 0.08% of the company's issued share capital. If the authority to make new market purchases sought under Resolution 11 is ever used in full, such options would represent approximately 0.09% of the reduced issued share capital of the company (based on the share capital as at 17 April 2012).

Other matters

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

By order of the board
Heather Curtis
Secretary

20 April 2012
24 Bruton Place
London, W1J 6NE

Remuneration report

The remuneration committee is pleased to present its report for the year ended 31 December 2011.

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.

The remuneration committee receives updates on pay and employment conditions applying to other Group employees. These are taken into consideration when setting executive Directors' remuneration consistent with the group's general aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces.

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	01–Jan–71	Continuous	6 months
J A Heller	01–May–03	Continuous	12 months
R J Corry	01–Sep–92	Continuous	6 months
Non–executive Directors			
H D Goldring	01–Jul–92	Continuous	3 months
C A Parritt	01–Jan–06	Continuous	3 months

The following information has been audited

Directors' Remuneration for the year ended 31 December 2011

	Salary And fees £'000	Bonus in cash £'000	Bonus in shares £'000	Other benefits £'000	**2011 total before pension contrib-utions £'000**	Pension contrib-utions £'000	**Total 2011 £'000**	2010 total before pension contrib-utions £'000	Pension contrib-utions £'000	Total 2010 £'000
Executive Directors										
M A Heller*	7	–	–	44	**51**	–	**51**	251	–	251
J A Heller	300	300	–	41	**641**	30	**671**	547	30	577
R J Corry	167	–	–	22	**189**	33	**222**	260	33	293
M C Stevens†	31	–	–	20	**51**	3	**54**	116	23	139
	505	300	–	127	**932**	66	**998**	1,174	86	1,260
Non–executive Directors										
H D Goldring*	43	–	–	4	**47**	–	**47**	51	–	51
C A Parritt *	33	–	–	–	**33**	–	**33**	37	–	37
	76	–	–	4	**80**	–	**80**	88	–	88
Total remuneration for Directors' service during year	581	300	–	131	**1,012**	66	**1,078**	1,262	86	1,348

* See "Directors" below and Note 20 "Related party transactions".
Other benefits include the provision of car, health and other insurance and subscriptions.
†M C Stevens retired 30 April 2011

Pension schemes and incentives

Three (2010: three) Directors have benefits under money purchase pension schemes. Contributions in 2011 were £66,000 (2010: £86,000) 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 one executive Director during 2011 (2010: four) and no non–executive Directors (2010: nil).

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 (2010: £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.

C A Parritt provides consultancy services to the group. This is dealt with in Note 20 to the financial statements.

Share option scheme

The company has an 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.

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 share option scheme known as the "Non–approved Executive Share Option Scheme" (Unapproved Scheme) which does not have HMRC approval was set up during 2000. At 31 December 2011 there were no options to subscribe for ordinary shares outstanding. 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. No options under the unapproved scheme were exercised, granted or lapsed during the year to 31 December 2010. Further details of this scheme are set out in Note 19 "Share Capital" to the financial statements.

The bid market price of London & Associated Properties PLC ordinary shares at 31 December 2011 was 26.25p (2010: 42.0p). During the year the share mid–market price ranged between 26.25 and 42.0p.

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 28 February 2011, 76,397 free shares up to the annual maximum of £3,000 per member were awarded at 41.75p (2010: nil shares awarded)

Free shares awarded:

	Number of members		Number of shares		Value of shares	
	2011	2010	**2011**	2010	**2011 £**	2010 £
Directors:						
R J Corry	1	0	7,185	0	3,000	0
J A Heller	0	0	0	0	0	0
M C Stevens †	1	0	7,185	0	3,000	0
Staff	11	0	62,027	0	25,896	0
Total at 31 December	**13**	0	**76,397**	0	**31,896**	0

2. Partnership shares: No partnership shares were issued between November 2010 and October 2011.

Partnership shares issued:

	Number of members		Number of shares		Value of shares	
	2011	2010	**2011**	2010	**2011 £**	2010 £
Directors:						
R J Corry	0	1	0	3,947	0	1,500
J A Heller	0	1	0	3,947	0	1,500
M C Stevens †	0	1	0	3,947	0	1,500
Staff	0	9	0	35,523	0	13,500
Total at 31 December	**0**	12	**0**	47,364	**0**	18,000

3. Matching shares: The partnership share agreements for the year to 31 October 2011 provide for two matching shares to be awarded free of charge for each partnership share acquired. No partnership shares were acquired in 2011 (2010: 87,809 shares). Matching shares will usually be forfeited if a member leaves employment in the group within 5 years of their grant.

Matching shares granted:

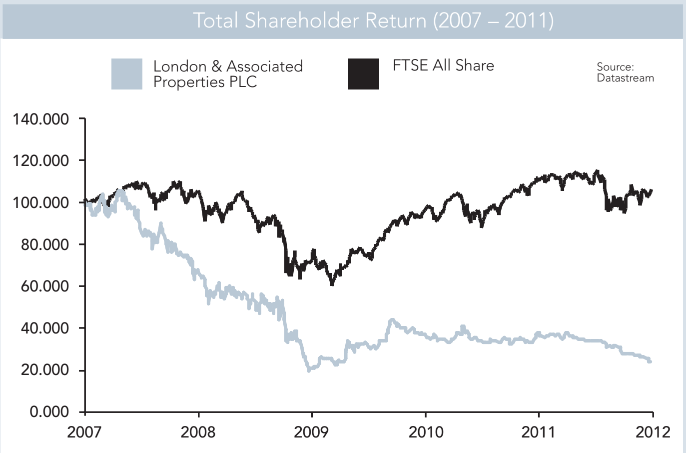
	Number of members		Number of shares		Value of shares	
	2011	2010	**2011**	2010	**2011 £**	2010 £
Directors:						
R J Corry	0	1	0	7,894	0	3,000
J A Heller	0	1	0	7,894	0	3,000
M C Stevens †	0	1	0	7,894	0	3,000
Staff	0	9	0	64,127	0	27,000
Total at 31 December	**0**	12	**0**	87,809	**0**	36,000

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 2011 amounted to £5,775 (2010: £6,088).

Dividend shares issued:

	Number of members		Number of shares		Value of shares	
	2011	2010	**2011**	2010	**2011 £**	2010 £
Directors:						
R J Corry	1	1	2,423	1,783	739	660
J A Heller	1	1	2,329	1,783	710	660
M C Stevens †	0	1	0	1,783	0	660
Staff	15	17	21,648	18,353	6,603	6,790
Total at 31 December	**17**	20	**26,400**	23,702	**8,052**	8,770

† M C Stevens retired 30 April 2011



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

20 April 2012

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 of whom are 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;
- to review the risk assessments made by management, consider key risks with action taken to mitigate these and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the Group's risk management control and processes;
- consider once a year the need for an internal audit function;
- advise the board on the appointment of the external auditor, 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 auditor's independence each year, which includes:
  - i) a review of non–audit services provided to the Group and related fees;
  - ii) discussion with the auditor 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 auditor's 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 auditor 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 auditor and approved their fees for both audit and non–audit services as set out in note 2 to the financial statements.
- in accordance with the rules for rotation of audit partners, reviewed and approved the proposals from the external auditor to introduce a new senior audit partner to lead the audit.
- the chairman of the audit committee has also 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 auditor.

C A Parritt
Chairman – Audit Committee

20 April 2012

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 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. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping 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 loss of the company and the undertakings included in the consolidation taken as a whole; and

b. the Directors 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the London & Associated Properties PLC website.

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

Valuers' certificates

To the Directors of London & Associated Properties PLC

In accordance with your instructions we have carried out a valuation of the freehold and leasehold property interests held as at 31 December 2011 by the company as detailed in our Valuation Report dated 27 January 2012.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2011 of these interests was:

	£'000
Freehold	73,035
Leasehold	22,120
	95,155

27 Soho Square, London W1D 3AY
27 January 2012

Allsop LLP
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 and leasehold property interests held as at 31 December 2011 by the company as detailed in our Valuation Report as at 11 January 2012.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2011 of these interests was:

	£'000
Freehold	2,610
Leasehold	91,950
	94,560

22 Hanover Square London W1S 1JA
11 January 2012

Jones Lang LaSalle Limited
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 2011 by the company as detailed in our Valuation Report as at 2 February 2012.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2011 of these interests was:

	£'000
Freehold	**4,033**

Capitol House, Russell Street, Leeds LS1 5SP
2 February 2012

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 28 to 57. 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 25, 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 and express an opinion on 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/private.cfm

Opinion on 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 2011 and of the Group's loss 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;
- 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 19, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board of Directors' remuneration.

Euan Banks (Senior Statutory Auditor)
For and on behalf of
Baker Tilly UK Audit LLP,
Statutory Auditor

Chartered Accountants
25 Farringdon Street,
London, EC4A 4AB

20 April 2012

Consolidated income statement

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Gross rental income			
Group and share of joint ventures		**16,990**	16,503
Less: joint ventures – share of rental income		**(611)**	(518)
Revenue	1	**16,379**	15,985
Direct property expenses		**(1,819)**	(1,839)
Overheads		**(2,700)**	(3,780)
Property overheads	1	**(4,519)**	(5,619)
Net rental income	1	**11,860**	10,366
Listed investments held for trading	3	**24**	43
Profit on sale of investment properties		**310**	637
Operating profit before financing charges	1	**12,194**	11,046
Finance income	5	**34**	64
Finance expenses	5	**(11,344)**	(11,922)
Operating profit/(loss) after financing charges		**884**	(812)
Revaluation and other movements, associates and joint ventures			
Net (decrease)/increase on revaluation of investment properties		**(1,021)**	1,569
Net (decrease)/increase in value of investments held for trading		**(104)**	89
Share of profit/(loss) of joint ventures after tax	10	**10**	(233)
Share of loss of associate after tax	11	**(189)**	(505)
Interest rate derivative break cost	17	**(920)**	(3,515)
Adjustment to the Net Present Value of interest rate derivative	17	**(17,223)**	(7,280)
Loss including revaluation and other movements		**(18,563)**	(10,687)
Income tax	6	**3,742**	7,192
Loss for the year attributable to the owners of the parent		**(14,821)**	(3,495)
Basic loss per share	8	**(17.63)p**	(4.24)p
Diluted loss per share	8	**(17.63)p**	(4.24)p
Operating profit/(loss) after financing charge per share	8	**1.05p**	(0.99)p

The revenue and operating result for the year is derived from continuing operations in the United Kingdom.
As more fully explained in the accounting policies comparative information, the consolidated income statement has been re-presented to better reflect the nature of the business.

Consolidated balance sheet

at 31 December 2011

	Notes	2011 £'000	2010 £'000
Non–current assets			
Market value of properties attributable to Group		**193,748**	194,946
Present value of head leases		**28,661**	28,664
Property	9	**222,409**	223,610
Plant and equipment	9	**484**	612
Investments in joint ventures	10	**2,039**	1,163
Investments in associated company	11	**7,011**	7,483
Held to maturity investments	12	**1,998**	1,946
Deferred tax	18	**3,678**	–
		237,619	234,814
Current assets			
Trade and other receivables	13	**4,301**	4,092
Financial assets–investments held for trading	14	**635**	717
Cash and cash equivalents		**6,464**	8,584
		11,400	13,393
Total assets		**249,019**	248,207
Current liabilities			
Trade and other payables	15	**(9,453)**	(10,022)
Financial liabilities–borrowings	16	**(48,012)**	(3,863)
		(57,465)	(13,885)
Non–current liabilities			
Financial liabilities–borrowings	16	**(92,114)**	(136,206)
Interest rate derivatives	17	**(30,850)**	(13,627)
Present value of head leases on properties		**(28,661)**	(28,664)
Deferred tax	18	**–**	(64)
		(151,625)	(178,561)
Total liabilities		**(209,090)**	(192,446)
Net assets		**39,929**	55,761
Equity attributable to the owners of the parent			
Share capital	19	**8,554**	8,554
Share premium account		**4,866**	4,866
Translation reserve in associate		**(216)**	30
Capital redemption reserve		**47**	47
Retained earnings (excluding treasury shares)		**28,099**	44,342
Treasury shares	19	**(1,421)**	(2,078)
Retained earnings		**26,678**	42,264
Total shareholders' equity		**39,929**	55,761
Net assets per share	8	**47.53p**	66.71p
Diluted net assets per share	8	**47.53p**	66.69p

These financial statements were approved by the board of directors and authorised for issue on 20 April 2012 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 2011

	Share capital £'000	Share premium £'000	Translation reserves in associate £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings Retained earnings excluding treasury shares £'000	Total equity £'000
Balance at 1 January 2010	8,392	5,042	(284)	47	(4,558)	50,465	59,104
Loss for year	–	–	–	–	–	(3,495)	(3,495)
Other comprehensive income:							
Currency translation in associate	–	–	314	–	–	–	314
Total other comprehensive income	–	–	314	–	–	–	314
Total comprehensive income	–	–	314	–	–	(3,495)	(3,181)
Transactions with owners:							
Equity share options in associate	–	–	–	–	–	2	2
Minority interest on share disposal in associate	–	–	–	–	–	(199)	(199)
Issue of own shares and expenses	162	(176)	–	–	–	–	(14)
Disposal of own shares	–	–	–	–	973	–	973
Loss on transfer of own shares	–	–	–	–	1,507	(1,507)	–
Dividends paid	–	–	–	–	–	(924)	(924)
Transactions with owners	162	(176)	–	–	2,480	(2,628)	(162)
Balance at 31 December 2010	8,554	4,866	30	47	(2,078)	44,342	55,761
Loss for year	–	–	–	–	–	(14,821)	(14,821)
Other comprehensive income:							
Currency translation in associate	–	–	(246)	–	–	–	(246)
Total other comprehensive income	–	–	(246)	–	–	–	(246)
Total comprehensive income	–	–	(246)	–	–	(14,821)	(15,067)
Transaction with owners:							
Equity share options in associate	–	–	–	–	–	6	6
Aquisition of own shares and expenses	–	–	–	–	(101)	–	(101)
Disposal of own shares	–	–	–	–	294	–	294
Loss on transfer of own shares	–	–	–	–	464	(464)	–
Dividends paid	–	–	–	–	–	(964)	(964)
Transactions with owners	–	–	–	–	657	(1,422)	(765)
Balance at 31 December 2011	**8,554**	**4,866**	**(216)**	**47**	**(1,421)**	**28,099**	**39,929**

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

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	2011 £'000	2010 £'000
Loss for the year	**(14,821)**	(3,495)
Other comprehensive income:		
Currency translation in associate	**(246)**	314
Other comprehensive income for the year net of tax	**(246)**	314
Total comprehensive income for the period attributable to owners of the parent	**(15,067)**	(3,181)

Consolidated cash flow statement

for the year ended 31 December 2011

Operating activities	2011 £'000	2010 £'000
Operating profit before financing charges	**12,194**	11,046
Depreciation	**158**	197
Loss/(profit) on disposal of non–current assets	**9**	(3)
Profit on sale of investment properties	**(310)**	(637)
Increase in net current assets	**(1,160)**	(1,019)
Cash generated from operations	**10,891**	9,584
Income tax repaid	**–**	111
Cash inflows from operating activities	**10,891**	9,695
Investing activities		
Investment in shares and loan stock in joint ventures	**(940)**	(141)
Investment in shares in associate	**(131)**	–
Property acquisitions and improvements	**(298)**	(754)
Sale of properties	**910**	21,302
Purchase of office equipment and motor vehicles	**(70)**	(78)
Sale of office equipment and motor vehicles	**33**	86
Interest received	**34**	64
Dividends received from associate and joint ventures	**181**	173
Cash (outflows)/inflows from investing activities	**(281)**	20,652
Financing activities		
Issue expenses	**–**	(14)
Purchase of treasury shares	**(101)**	–
Sale of treasury shares	**294**	973
Equity dividends paid	**(964)**	(924)
Interest paid	**(10,926)**	(12,010)
Interest rate derivatives break costs paid	**(920)**	(3,515)
Repayment of short term loan	**(910)**	–
Payment/(repayment) of medium term bank loan	**943**	(11,575)
Cash outflows from financing activities	**(12,584)**	(27,065)
Net (decrease)/increase in cash and cash equivalents	**(1,974)**	3,282
Cash and cash equivalents at beginning of year	**4,721**	1,439
Cash and cash equivalents at end of year	**2,747**	4,721

Cash and cash equivalents

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

	2011 £'000	2010 £'000
Cash and cash equivalents (before bank overdrafts)	**6,464**	8,584
Bank overdrafts	**(3,717)**	(3,863)
Cash and cash equivalents at end of year	**2,747**	4,721

Group accounting policies

The following are the principal group accounting policies:

Basis of accounting

The group financial statements for the year ended 31 December 2011 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. They have also considered the impact of the renewal of its banking facilities. The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman and Chief Executive's Statement 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 Group is well placed to manage its business risks despite the current uncertain economic outlook. The Directors therefore have a reasonable expectation that the Group 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.

Comparative information

The Directors consider 'revaluation and other movements, associates and joint ventures' require separate disclosure from the 'operating profit before and after financing charges', in the Consolidated Income Statement as the Directors consider this is a more appropriate presentation for the understanding of the business and the Group's results. As a result the prior year is re-presented in the Consolidated Income Statement.

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 of which 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:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The following standards and interpretations have been issued and adopted by the EU but are not effective for the year ended 31 December 2011 and have not been adopted early:

IFRS 7 Financial Instruments: Disclosures (amendment).

The adoption of the standards and interpretations in issue but not yet effective is not expected to have a 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. 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 is 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.

Ordinary shares
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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.

Notes to the financial statements

for the year ended 31 December 2011

1. Segmental analysis

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

	2011 Property £'000	2011 Other investments £'000	2011 Total £'000	2010 Property £'000	2010 Other investments £'000	2010 Total £'000
Rental income	**16,379**	**–**	**16,379**	15,985	–	15,985
Property overheads	**(4,519)**	**–**	**(4,519)**	(5,619)	–	(5,619)
Net rental income	**11,860**	**–**	**11,860**	10,366	–	10,366
Listed investment income	**–**	**24**	**24**	–	43	43
Profit on sale of investment properties	**310**	**–**	**310**	637	–	637
Operating profit before financing charges*	**12,170**	**24**	**12,194**	11,003	43	11,046
Total assets (excluding investments in associate and joint ventures)	**237,336**	**635**	**237,971**	237,023	717	237,740
Total liabilities (excluding borrowings and current tax)	**(68,964)**	**–**	**(68,964)**	(52,377)	–	(52,377)
Borrowings	**(140,126)**	**–**	**(140,126)**	(140,194)	–	(140,194)
Net assets	**28,246**	**635**	**28,881**	44,452	717	45,169
Investments in joint ventures: non segmental (notes 10 and 12)			**4,032**			3,104
Investments in associate: non segmental (note 11)			**7,011**			7,483
Investments in unlisted companies			**5**			5
Net assets as per balance sheet			**39,929**			55,761
Other segment items:						
Net (decrease)/increase on revaluation of investment properties	**(1,021)**	**–**	**(1,021)**	1,569	–	1,569
Net (decrease)/increase on revaluation of investments held for trading	**–**	**(104)**	**(104)**	–	89	89
Finance income	**34**	**–**	**34**	64	–	64
Finance expenses	**11,344**	**–**	**11,344**	11,992	–	11,992
Depreciation	**158**	**–**	**158**	197	–	197
Capital expenditure	**493**	**–**	**493**	567	–	567

Rental income

	Group exclude: joint ventures £'000	Joint Ventures: Analytical Ventures £'000	Joint Ventures: Dragon Retail Properties £'000	Joint Ventures: Langney Shopping Centre Unit Trust £'000	Total £'000	Group Share 2011 £'000	2010 £'000
Rental income	**16,379**	**866**	**191**	**662**	**18,098**	**16,990**	16,503
Direct property expenses	**(1,819)**	**(31)**	**(33)**	**(74)**	**(1,957)**	**(1,860)**	(1,874)
Overheads	**(2,700)**	**(236)**	**(117)**	**(150)**	**(3,203)**	**(2,895)**	(3,960)
	11,860	**599**	**41**	**438**	**12,938**	**12,235**	10,669
Less: attributable to joint ventures						**(375)**	(303)
Net rental income						**11,860**	10,366

*Operating profit before financing charges is defined as profit before tax and excludes the share of profit & losses of joint ventures and associate, finance income and expenses, movement on revaluation of investment properties and investrments held for trading 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 (2010: none).

2. Loss before taxation

	2011 £'000	2010 £'000
Loss before taxation is arrived at after charging/(crediting):		
Staff costs (note 21)	**2,283**	2,631
Depreciation on tangible fixed assets – owned assets	**158**	197
Operating lease rentals – land and buildings	**375**	375
Loss/(profit) on disposal of motor vehicles and office equipment	**10**	(3)
Amounts payable to the auditor in respect of both audit and non–audit services		
Audit services:		
Statutory – company and consolidation	**63**	84
– subsidiaries	**32**	41
Further assurance services	**3**	6
Other services	**8**	9
	106	140

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

3. Listed investments held for trading

	2011 £'000	2010 £'000
Investment sales	**–**	119
Dividends receivable	**24**	15
	24	134
Cost of sales	**–**	(86)
	24	48
Attributable overheads	**–**	(5)
Net income from listed investments	**24**	43

4. Directors' emoluments

	2011 £'000	2010 £'000
Emoluments	**1,011**	1,262
Defined contribution pension scheme contributions	**66**	86
	1,077	1,348

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

5. Finance income and expenses

	2011 £'000	2010 £'000
Finance income	**34**	64
Finance expenses		
Interest on bank loans and overdrafts	**(2,518)**	(2,164)
Other loans	**(2,103)**	(2,134)
Interest on derivatives adjustment	**(4,743)**	(5,575)
Interest on obligations under finance leases	**(1,980)**	(2,049)
Total finance expenses	**(11,344)**	(11,922)
	(11,310)	(11,858)

6. Income tax

	2011 £'000	2010 £'000
Current tax		
Corporation tax on loss of the period	–	–
Adjustments in respect of previous periods	–	(861)
Total current tax	–	(861)
Deferred tax		
Origination and reversal of timing differences	(381)	(1,578)
Revaluation of investment properties	(547)	(2,781)
Accelerated capital allowances	1,045	97
Fair value of interest derivatives	(3,897)	(2,038)
Adjustments in respect of previous periods	38	(31)
Total deferred tax (note 18)	(3,742)	(6,331)
Tax on loss on ordinary activities	(3,742)	(7,192)

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 26.5 per cent (2010: 28 per cent). The differences are explained below:

	2011	2010
Loss on ordinary activities before taxation	(18,563)	(10,687)
Taxation on ordinary activities at 26.5 per cent (2010: 28%)	(4,919)	(2,992)
Effects of:		
Other differences	951	(3,265)
Joint ventures and associate	(41)	(43)
Deferred tax rate adjustment	229	–
Adjustment in respect of prior years	38	(892)
Tax credit for the period	(3,742)	(7,192)

The main component of other differences in the reconciliation relates to potential indexation for capital gains of £0.8 million (2010: indexation allowance £3.2 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

	2011 Per share	£'000	2010 Per share	£'000
Dividends paid during the year relating to the prior period	1.15p	964	1.15p	924
Dividends to be paid:				
Interim dividend for 2011 paid on 20 January 2012	0.75p	630	0.75p	627
Proposed final dividend	–	–	0.40p	337
	0.75p	630	1.15p	964

8. Loss per share and net assets per share

Loss per share have been calculated as follows:	**2011**	2010
Loss for the year for the purposes of basic and diluted loss per share (£'000)	**(14,821)**	(3,495)
Weighted average number of ordinary shares in issue for the purpose of basic loss per share ('000)	**84,074**	82,389
Basic loss per share	**(17.63)p**	(4.24)p
Weighted average number of ordinary shares in issue for the purpose of diluted loss per share ('000)	**84,074**	82,389
Fully diluted loss per share	**(17.63)p**	(4.24)p

Weighted average number of shares in issue is calculated after excluding treasury shares of 1,538,398 (2010: 1,957,534).

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

Operating profit after financing charge per share of 1.05p (loss 2010: (0.99)p) is based on the operating profit after financing charges of £884,000 (2010: operating loss after financing charges £812,000) divided by the weighted average number of ordinary shares in issue of 84,074,000 (2010: 82,389,000).

Net assets per share have been calculated as follows:

	Net assets		**Shares in issue**		**Net assets per share**	
	2011 £'000	2010 £'000	**2011 '000**	2010 '000	**2011 Pence**	2010 Pence
Basic						
At 31 December	**39,929**	55,761	**84,004**	83,585	**47.53**	66.71
Dilution adjustments for shares subject to option agreements:						
Issue of outstanding share options	**28**	28	**70**	70		
Diluted	**39,957**	55,789	**84,074**	83,655	**47.53**	66.69

9. Property and plant and equipment

		Investment Properties			
	Total £'000	**Freehold £'000**	**Leasehold over 50 years £'000**	**Leasehold under 50 years £'000**	**Office equipment and motor vehicles £'000**
Cost or valuation at 1 January 2011	223,610	82,973	140,131	506	1,586
Additions	423	–	423	–	70
Disposals	(600)	(600)	–	–	(312)
Decrease in present value of head leases	(3)	–	(3)	–	–
(Decrease)/increase on revaluation	(1,021)	(2,695)	1,724	(50)	–
Cost or valuation at 31 December 2011	**222,409**	**79,678**	**142,275**	**456**	**1,344**
Representing assets stated at:					
Valuation	193,748	79,678	113,620	450	–
Present value of head leases	28,661	–	28,655	6	–
Cost	–	–	–	–	1,344
	222,409	79,678	142,275	456	1,344
Depreciation at 1 January 2011	–	–	–	–	974
Charge for the year	–	–	–	–	158
Disposals	–	–	–	–	(272)
Depreciation at 31 December 2011	**–**	**–**	**–**	**–**	**860**
Net book value at 1 January 2011	223,610	82,973	140,131	506	612
Net book value at 31 December 2011	**222,409**	**79,678**	**142,275**	**456**	**484**

9. Property and plant and equipment continued

	Total £'000	Investment Properties: Freehold £'000	Investment Properties: Leasehold over 50 years £'000	Investment Properties: Leasehold under 50 years £'000	Office equipment and motor vehicles £'000
Cost or valuation at 1 January 2010	243,109	83,598	159,511	–	1,734
Reclassification	–	–	(576)	576	–
Additions	489	–	489	–	78
Disposals	(20,736)	(3,736)	(17,000)	–	(226)
Decrease in present value of head leases	(821)	–	(821)	–	–
Increase/(decrease) on revaluation	1,569	3,111	(1,472)	(70)	–
Cost or valuation at 31 December 2010	223,610	82,973	140,131	506	1,586
Representing assets stated at:					
Valuation:	194,946	82,973	111,473	500	–
Present value of head leases	28,664	–	28,658	6	–
Cost	–	–	–	–	1,586
	223,610	82,973	140,131	506	1,586
Depreciation at 1 January 2010	–	–	–	–	918
Charge for the year	–	–	–	–	197
Disposals	–	–	–	–	(141)
Depreciation at 31 December 2010	–	–	–	–	974
Net book value at 1 January 2010	243,109	83,598	159,511	–	816
Net book value at 31 December 2010	223,610	82,973	140,131	506	612

The leasehold and freehold properties, excluding the present value of head leases, were valued as at 31 December 2011 by external professional firms of chartered surveyors. The valuations were made at open market value.

	2011 £'000	2010 £'000
Allsop LLP	**95,155**	96,750
BNP Paribas Real Estate	**4,033**	4,196
Jones Lang LaSalle	**94,560**	–
King Sturge LLP	**–**	94,000
	193,748	194,946
Add: Present value of headleases	**28,661**	28,664
	222,409	223,610

The historical cost of investment properties, including total capitalised interest of £6,051,000 (2010: £6,051,000) was as follows:

	2011 Freehold £'000	**2011 Leasehold over 50 years £'000**	**2011 Short leasehold £'000**	2010 Freehold £'000	2010 Leasehold over 50 years £'000	2010 Short leasehold £'000
Cost at 1 January	**76,308**	**121,466**	**785**	80,608	133,462	–
Reclassification	**–**	**–**	**–**	–	(785)	785
Additions	**–**	**423**	**–**	–	489	–
Disposals	**(175)**	**–**	**–**	(4,300)	(11,700)	–
Cost at 31 December	**76,133**	**121,889**	**785**	76,308	121,466	785

10. Investment in joint ventures

	2011 £'000	2010 £'000
Group share of:		
Turnover	**611**	518
Loss before tax	**(15)**	(226)
Taxation	**25**	(7)
Profit/(loss) after tax	**10**	(233)
Non–current assets	**8,268**	6,333
Current assets	**1,586**	1,500
Current liabilities	**(443)**	(3,712)
Non–current liabilities	**(7,372)**	(2,958)
Net assets	**2,039**	1,163

Analytical Ventures Limited (Analytical Ventures) – unlisted property investment company. The company owns 50 per cent of the issued share capital and £1,992,897 of loan stock of Analytical Ventures. The remaining 50 per cent is owned by Uberior Ventures Limited. Analytical Ventures is incorporated and operates in England and Wales and has issued share capital of 7,558,000 ordinary shares (2010: 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 (2010: 500,000 ordinary shares of £1 each). Dragon is managed by a board of Directors with neither party having overall control.

Langney Shopping Centre Unit Trust (Langney) – unlisted property investment unit trust.
The company acquired 12.50 per cent of the total ordinary units in issue in June 2011. A further 12.50 per cent is owned by Bisichi Mining PLC. The remaining 75 per cent is owned by Columbus Capital Management LLP. Langney is incorporated in Jersey and has 7,100 total ordinary units in issue of £1,000 each. The company has a management contract to manage the property for Langney and accordingly has a significant influence in Langney. It is a single asset unit trust.

Shares in joint ventures:

	2011 £'000	2010 £'000
At 1 January	**1,163**	1,396
Share of profit/(loss) after tax	**10**	(233)
Dividend received	**(22)**	–
Investment in shares	**888**	–
	876	(233)
At 31 December	**2,039**	1,163

11. Investments in associated company

Associate	2011 £'000	2010 £'000
Bisichi Mining PLC – listed mining and property investment company		
Group share of:		
Turnover	**12,551**	13,681
Loss before tax	**(568)**	(725)
Taxation	**379**	220
Loss after tax	**(189)**	(505)
Non–current assets	**10,383**	10,718
Current assets	**5,083**	4,811
Current liabilities	**(7,071)**	(4,162)
Non–current liabilities	**(1,324)**	(3,720)
Minority interest	**(60)**	(164)
Net assets	**7,011**	7,483

11. Investments in associated company continued

	2011 £'000	2010 £'000
Share in associate:		
At 1 January	**7,483**	8,044
Share of loss after tax	**(189)**	(505)
Investment in shares	**131**	–
Equity share options	**6**	2
Currency translation	**(246)**	314
Dividend received	**(174)**	(173)
Minority interest	**–**	(199)
	(472)	(561)
At 31 December	**7,011**	7,483

The company owns 42 per cent (2010: 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 10,556,839 (2010: 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 because 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 2011 was £6,206,000 (2010: £8,700,000). No impairment is necessary as the Directors consider the market value deficit temporary.

12. Held to maturity investments

	2011 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000	2010 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000
Cost						
At 1 January	**1,946**	**5**	**1,941**	1,805	5	1,800
Loan stock issue	**220**	**–**	**220**	180	–	180
Repayments	**(168)**	**–**	**(168)**	(39)	–	(39)
At 31 December	**1,998**	**5**	**1,993**	1,946	5	1,941

13. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**1,100**	1,089
Amounts due from associate and joint ventures	**442**	328
Other receivables	**191**	206
Prepayments and accrued income	**2,568**	2,469
	4,301	4,092

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

14. Investments held for trading

	2011 £'000	2010 £'000
Market bid value of the listed investment portfolio	**635**	717
Unrealised deficit of market value over cost	**(499)**	(395)
Listed investment portfolio at cost	**1,134**	1,112

All investments are listed on the London Stock Exchange.

15. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**426**	256
Amounts owed to joint ventures	**1,144**	1,133
Other taxation and social security costs	**954**	981
Other payables	**725**	801
Accruals and deferred income	**6,204**	6,851
	9,453	10,022

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

	2011 £'000	2010 £'000
Bank overdrafts (secured)	**3,717**	3,863
£1 million term bank loan repayable by 2015 (unsecured)	**226**	–
£47 million revolving credit facility repayable in 2012*+ (secured)	**44,069**	–
	48,012	3,863

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*	**9,821**	9,804
	21,521	21,504
Term bank loans:		
£1 million term bank loan repayable by 2015	**706**	–
£47 million revolving credit facility repayable in 2012*+	**–**	44,855
£70 million term bank loan repayable in 2014*	**69,887**	69,847
	70,593	114,702
	92,114	136,206

*The £10 million debenture and bank loans are shown after deduction of outstanding amortised issue costs.
+The £47 million facility was reduced from £60 million.

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 £47 million bank revolving credit facility repayable in September 2012 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 £191.0 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 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	2011 Total £'000
Bank overdrafts (floating)	**3,717**	**–**	**–**	**3,717**
Debentures (fixed)	**–**	**6,700**	**15,000**	**21,700**
Bank loans (floating)*	**44,420**	**70,706**	**–**	**115,126**
Trade and other payables (non–interest)	**9,453**	**–**	**–**	**9,453**
	57,590	**77,406**	**15,000**	**149,996**

	Less than 1 year £'000	2–5 years £'000	Over 5 years £'000	2010 Total £'000
Bank overdrafts (floating)	3,863	–	–	3,863
Debentures (fixed)	–	5,000	16,700	21,700
Bank loans (floating)*	–	115,104	–	115,104
Trade and other payables (non–interest)	10,022	–	–	10,022
	13,885	120,104	16,700	150,689

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 2011 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 £3,089,000 (2010: £16,033,000) as follows:

	2011 £'000	2010 £'000
Overdrafts	**283**	1,137
Term facilities expiring in one year	**2,806**	–
Term facilities expiring in two to five years	**–**	14,896
	3,089	16,033

Hedge profile

a) There is a hedge to cover the £47 million revolving credit facility, which currently covers the full £44 million drawn. It consists of a 20 year swap for £10.4 million (2010: £15.4 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 £23,137,000 deficit (2010: £9,811,000 deficit) being the estimated financial effect of the fair value to the business of these hedging instruments less the deferred tax thereon.

During the year the Company broke £5 million (2010: £19.6 million) of the 4.76 per cent swap at a cost of £920,000 (2010: £3.515 million).

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 16 year interest rate, which was 2.74 per cent at 31 December 2011 against the rate payable under the specific hedge. This has given a liability at 31 December 2011 of £30,850,000 (2010: £13,627,000) as shown in the balance sheet and this value changes by approximately £1,600,000 for each 0.1% change in interest rate. The banks own initial quotation at 31 December 2011 to close each of the hedges was £37,039,000 (2010: £16,236,000). 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. The cost to the Group to exit the instruments before November 2014 and January 2015 has been attributed a cost by the bank of £1,280,000 (2010: £5,679,000). It is not the intention of the Directors to exit the instruments and this cost has not been recognised.

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	2011 Gain/(loss) to income statement £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	**635**	**–**	**–**	**635**	**(104)**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**–**	**–**	**30,850**	**30,850**	**(17,223)**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	2010 Gain/(loss) to income statement £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	717	–	–	717	15
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	–	–	13,627	13,627	(7,280)

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 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 2011 this decreased to 188.8 per cent (2010: 189.5 per cent) which was calculated as follows:

	2011 £'000	2010 £'000
Total debt	**140,126**	140,069
Less cash and cash equivalents	**(6,464)**	(8,584)
Net debt	**133,662**	131,485
Total equity	**70,779**	69,388
	188.8%	189.5%

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.

17. Financial instruments continued

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

	2011 £'000	2010 £'000
Cash at bank and in hand	**6,464**	8,584

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

Financial liabilities maturity
Repayment of borrowings

	2011 £'000	2010 £'000
Bank loans and overdrafts:		
Repayable on demand or within one year	**48,012**	3,863
Repayable between two and five years	**70,593**	114,702
	118,605	118,565
Debentures:		
Repayable between two and five years	**6,700**	5,000
Repayable in more than five years	**14,821**	16,504
	140,126	140,069

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

Group undrawn banking facilities		
which expire within one year	**3,089**	1,137
which expire in two to five years	**–**	14,896
	3,089	16,033

Interest rate risk and hedge profile

	2011 £'000	2010 £'000
Fixed rate borrowings	**21,700**	21,700
Floating rate borrowings		
– Subject to interest rate swap	**120,400**	125,400
– Excess hedge	**(6,206)**	(10,296)
	135,894	136,804

Average fixed interest rate	**9.69%**	9.69%
Weighted average swapped interest rate	**6.00%**	5.57%
Weighted average cost of debt on overdrafts, bank loans and debentures	**6.48%**	6.12%
Average period for which borrowing rate is fixed	**7.5 years**	8.5 years
Average period for which borrowing rate is swapped	**15.9 years**	16.9 years
The swapped interest rate have calls by the bank	**2.9 years**	3.9 years

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

17. Financial instruments continued

Total financial assets and liabilities

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

	2011 Fair value £'000	**2011 Carrying value £'000**	2010 Fair Value £'000	2010 Carrying value £'000
Cash and cash equivalents	**6,464**	**6,464**	8,584	8,584
Financial assets – investments held for trading	**635**	**635**	717	717
Other assets	**4,302**	**4,302**	4,092	4,092
Derivative liabilities	**(30,850)**	**(30,850)**	(13,627)	(13,627)
Bank overdrafts	**(3,717)**	**(3,717)**	(3,863)	(3,863)
Bank loans	**(115,126)**	**(114,888)**	(115,104)	(114,702)
Present value of head leases on properties	**(28,661)**	**(28,661)**	(28,664)	(28,664)
Other liabilities	**(9,453)**	**(9,453)**	(10,022)	(10,022)
Total financial liabilities before debentures	**(176,406)**	**(176,168)**	(157,887)	(157,485)

Fair value of debenture stocks

Fair value of the Group's debenture liabilities:

	Book value £'000	**Fair Value £'000**	**2011 Fair value adjustment £'000**	2010 Fair value adjustment £'000
Debenture stocks	**(21,700)**	**(29,621)**	**(7,921)**	(4,889)
Tax at 25 per cent (2010: 28 per cent)			**1,980**	1,369
Post tax fair value adjustment			**(5,941)**	(3,520)
Post tax fair value adjustment – basic pence per share			**(6.79)p**	(4.21)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 2011 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

	2011 £'000	2010 £'000
Balance at 1 January	**64**	6,395
Transfer to consolidated income statement	**(3,742)**	(6,331)
Balance at 31 December	**(3,678)**	64
The deferred tax balance comprises the following:		
Revaluation of investment properties	**2,406**	2,953
Accelerated capital allowances	**3,263**	2,213
Fair value of interest derivatives	**(7,712)**	(3,815)
Short–term timing differences	**1,209**	1,320
	(834)	2,671
Loss relief	**(2,844)**	(2,607)
Provision at end of period	**(3,678)**	64

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 2011	Number of ordinary 10p shares 2010	**2011 £'000**	2010 £'000
Authorised: Ordinary shares of 10p each	**110,000,000**	110,000,000	**11,000**	11,000
Allotted, issued and fully paid	**83,922,029**	83,922,029	**8,392**	8,392
Ordinary shares of 10p – issued during the year	**1,620,682**	1,620,682	**162**	162
Share capital	**85,542,711**	85,542,711	**8,554**	8,554
Less: held in Treasury (see below)	**(1,538,398)**	(1,957,534)	**(154)**	(196)
"Issued share capital" for reporting purposes	**84,004,313**	83,585,177	**8,400**	8,358

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

Treasury shares

			Number of ordinary 10p shares			**Cost/issue value**
	Date	Price excl. costs	**2011**	2010	**2011 £'000**	2010 £'000
Shares held in Treasury at 1 January			1,957,534	4,293,051	2,078	4,558
Issued to meet Directors bonuses (Jan 10 –106.18p)	Feb–11	106.18p	(538,203)	(2,069,524)	(571)	(2,198)
Issued to meet staff bonuses (Jan 10 –106.18p)	Feb–11	106.18p	(57,751)	(88,021)	(61)	(93)
Issued for new share incentive plan	Feb–11	106.18p	(78,885)	–	(84)	–
Purchase of shares	Sep–11		295,000	–	101	–
Issued to meet Directors' bonuses (Oct 10 –106.18p)			–	(19,097)	–	(20)
Issued for new share incentive plan	Oct–11	106.18p	(26,400)	(23,702)	(28)	(25)
Issued to meet staff bonuses	Oct–11	106.18p	(12,897)	–	(14)	–
Issued for new share incentive plan (Dec 10 –106.18p)			–	(135,173)	–	(144)
Shares held in Treasury at 31 December			**1,538,398**	1,957,534	**1,421**	2,078

19. Share capital continued

Share Option Schemes

Employees' share option scheme (Approved scheme)

At 31 December 2011 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 2011 is as follows:

		Changes during the year			
	At 1 January 2011	Options exercised	Options granted	Options lapsed	**At 31 December 2011**
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 2011 there were no options to subscribe for ordinary shares outstanding.

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 2011 is as follows:

		Changes during the year			
	At 1 January 2011	Options Exercised	Options granted	Options lapsed	**At 31 December 2011**
Shares issued to date	450,000	–	–	–	**450,000**
Options granted which have not been exercised	–	–	–	–	**–**
Shares allocated over which options have not yet been granted	550,000	–	–	–	**550,000**
Total shares allocated for issue to employees under the scheme	1,000,000	–	–	–	**1,000,000**

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	74		20	–
Dragon Retail Properties Limited				
Current account	43		61	19
Loan account	–		(1,205)	–
Langney Shopping Centre Unit Trust				
Current account	51	(ii)	55	–
Bisichi Mining PLC				
Current account	328	(i)	367	–
Directors and key management				
M A Heller and J A Heller	18	(ii)	–	–
H D Goldring (Delmore Asset Management Limited)	(25)	(iii)	–	–
C A Parritt	(17)	(iv)	–	–
Totals at 31 December 2011	**472**		**(702)**	**19**
Totals at 31 December 2010	433		(803)	–

Nature of costs recharged – (i) Management fees (ii) Property management fees (iii) Portfolio management fees (iv) Consultancy fees. 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 deposit is currently interest free.

Langney Shopping Centre Unit Trust (joint venture)
Langney Shopping centre Unit Trust (Langney) is owned 12.5 per cent by the company and 12.5 per cent by Bisichi Mining PLC. The remaining 75 per cent is owned by Columbus Capital Management LLP.

The company provides office premises, property management, general management, accounting and administration services for both Analytical Ventures and Dragon and property management services to Langney.

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 (2010: £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 £30,000 (2010: £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 (2010: £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 were £1,208,000 (2010: £1,504,000). 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 31 (2010: 36).

	2011 £'000	2010 £'000
Staff costs during the year were as follows:		
Salaries and other costs	**1,713**	1,873
Social security costs	**220**	386
Pension costs	**350**	372
	2,283	2,631

22. Capital Commitments

	2011 £'000	2010 £'000
Commitments to capital expenditure contracted for at the year end	**735**	–

The Group's share of capital commitments of joint ventures at the year end amounted to £Nil (2010: £Nil).

23. Commitments under operating and finance leases

Operating leases on land and buildings
At 31 December 2011 the Group had commitments under non–cancellable operating leases on land and buildings as follows:

	2011 £'000	2010 £'000
Within one year	**390**	399
In the second to fifth years inclusive	**714**	1,197
	1,104	1,596

Operating lease payments represent rentals payable by the Group for its office premises.
The leases are for an average term of 5 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**	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Amounts payable under finance leases:				
Within one year	**1,821**	1,821	**1,821**	1,821
In the second to fifth years inclusive	**7,285**	7,285	**6,770**	6,970
After five years	**227,293**	229,114	**20,070**	20,073
	236,399	238,220	**28,661**	28,864
Future finance charges on finance leases	**(207,738)**	(209,556)	**–**	–
Present value of finance lease liabilities	**28,661**	28,664	**28,661**	28,864

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:

	2011 £'000	2010 £'000
Within one year	**10,446**	11,811
In the second to fifth years inclusive	**36,772**	40,537
After five years	**38,321**	41,273
	85,539	93,621

24. Contingent liabilities

There were no contingent liabilities at 31 December 2011 (2010: £Nil), except as disclosed in Note 17.

25. Company financial statements

Company balance sheet at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	25.3	**85,282**	86,758
Other investments:			
Associated company	25.4	**489**	358
Subsidiaries and others	25.4	**47,371**	46,431
	25.4	**47,860**	46,789
		133,142	133,547
Current assets			
Debtors	25.5	**24,911**	22,553
Investments	25.6	**635**	717
Bank balances		**4,540**	5,966
		30,086	29,236
Creditors			
Amounts falling due within one year	25.7	**(89,796)**	(42,416)
Net current liabilities		**(59,710)**	(13,180)
Total assets less current liabilities		**73,432**	120,367
Creditors			
Amounts falling due after more than one year	25.8	**(34,887)**	(72,146)
Net assets		**38,545**	48,221
Capital and reserves			
Share capital	25.10	**8,554**	8,554
Share premium account	25.11	**4,866**	4,866
Capital redemption reserve	25.11	**47**	47
Revaluation reserve	25.11	**12,059**	13,407
Treasury shares	25.10	**(1,421)**	(2,078)
Retained earnings	25.11	**14,440**	23,425
Shareholders' funds		**38,545**	48,221

These financial statements were approved by the board of Directors and authorised for issue on 20 April 2012 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 2011 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 vehicles – 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, Dragon Retail Properties Limited and Langney Shopping Centre Unit Trust (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. Loss for the financial year

The company's loss for the year was £7,557,000 (loss 2010: £6,182,000). 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 and motor vehicles
	Total £'000	Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000
Cost or valuation at 1 January 2011	87,778	63,123	22,523	500	1,632
Additions	70	–	–	–	70
Disposals	(312)	–	–	–	(312)
Decrease on revaluation	(1,348)	(445)	(853)	(50)	–
Cost or valuation at 31 December 2011	**86,188**	**62,678**	**21,670**	**450**	**1,390**
Representing assets stated at:					
Valuation	84,798	62,678	21,670	450	–
Cost	1,390	–	–	–	1,390
	86,188	**62,678**	**21,670**	**450**	**1,390**
Depreciation at 1 January 2011	1,020	–	–	–	1,020
Charge for the year	158	–	–	–	158
Disposals	(272)	–	–	–	(272)
Depreciation at 31 December 2011	**906**	**–**	**–**	**–**	**906**
Net book value at 1 January 2011	86,758	63,123	22,523	500	612
Net book value at 31 December 2011	**85,282**	**62,678**	**21,670**	**450**	**484**

The freehold and leasehold properties were valued as at 31 December 2011 by external professional firms of chartered surveyors. The valuations were made at open market value on the basis of existing use. The decrease in book value was transferred from revaluation reserve.

	2011 £'000	2010 £'000
Allsop LLP	**80,765**	81,950
BNP Paribas Real Estate	**4,033**	4,196
	84,798	86,146

The historical cost of investment properties, including total capitalised interest of £1,222,000 (2010: £1,222,000) was as follows:

	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000
Cost at 1 January 2011	54,620	17,293	785
Reclassification	–	–	–
Additions	–	–	–
Disposals	–	–	–
Cost at 31 December 2011	**54,620**	**17,293**	**785**

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

Cost	Total £'000	Shares in subsidiary companies £'000	Loan stock in subsidiary companies £'000	Shares in joint ventures £'000	Loan stock in joint ventures £'000	Shares in associate £'000	Unlisted shares £'000
At 1 January 2011	46,789	40,663	3,658	164	1,941	358	5
Additions	1,239	–	–	888	220	131	–
Repayments	(168)	–	–	–	(168)	–	–
At 31 December 2011	**47,860**	**40,663**	**3,658**	**1,052**	**1,993**	**489**	**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
London & Associated Management Services Limited	Property Management Services	100	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

	2011 £'000	2010 £'000
Trade debtors	**851**	639
Amounts due from subsidiary companies	**17,431**	17,525
Amounts due from associate and joint ventures	**402**	328
Deferred tax asset (note 25.9)	**4,550**	2,657
Other debtors	**56**	41
Prepayments and accrued income	**1,621**	1,363
	24,911	22,553

25.6. Investments

	2011 £'000	2010 £'000
Market value of the listed investment portfolio	**635**	717
Unrealised deficit of market value over cost	**(499)**	(395)
Listed investment portfolio at cost	**1,134**	1,112

All investments are listed on the London Stock Exchange.

25.7. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank overdrafts (unsecured)	**3,717**	3,863
Bank loans (secured)	**44,069**	–
Bank loans (unsecured)	**226**	–
Amounts owed to subsidiary companies	**35,256**	31,659
Amounts owed to joint ventures	**1,144**	1,133
Other taxation and social security costs	**693**	649
Other creditors	**450**	328
Accruals and deferred income	**4,241**	4,784
	89,796	42,416

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

	2011 £'000	2010 £'000
Interest rate derivatives	**12,660**	5,787
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*	**9,821**	9,804
	21,521	21,504
Bank loans:		
Repayable after more than two years*+	**706**	44,855
	34,887	72,146

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

+The £47 million facility was reduced from £60 million.

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	**48,012**	3,863
Repayable between two and three years	**706**	44,855
	48,718	48,718
Debentures:		
Repayable between three and five years	**5,000**	5,000
Repayable in more than five years	**16,521**	16,504
	70,239	70,222

Hedge profile

There is a hedge to cover the £47 million revolving credit facility, which currently covers the full £44 million drawn.

It consists of a 20 year swap for £10.4 million (2010: £15.4 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 £9,495,000 deficit (2010: £4,166,000 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 16 year interest rate, which was 2.74 per cent at 31 December 2011 against the rate payable under the specific hedge. This has given a liability at 31 December 2011 of £12,660,000 (2010: £5,787,000) as shown in the balance sheet. The banks own initial quotation at 31 December 2011 to close each of the hedges was £15,416,000 (2010: £7,180,000).

The hedges are not deemed to be eligible for hedge accounting, as the banks have an option to cancel the hedge in January 2015, to which they separately attribute a cost of £600,000 (2010: £2,511,000), 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 profit and loss account. It is not the intention of the Directors to exit the instruments and this cost has not been recognised.

During the year the company broke £5.0 million (2010: £19.6 million) of the 4.76 per cent swap at a cost of £920,000 (2010: £3.515 million).

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 the amendment to FRS29 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**	**2011 Gain/(loss) to profit and loss account £'000**
Financial assets					
Other financial assets held for trading					
Quoted equities	**635**	**–**	**–**	**635**	**(104)**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**–**	**–**	**12,660**	**12,660**	**(6,873)**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	2010 Gain/(loss) to profit and loss account £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	717	–	–	717	15
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	–	–	5,787	5,787	(2,705)

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**	**2011 Total £'000**
Bank overdrafts (floating)	**3,717**	**–**	**–**	**3,717**
Debentures (fixed)	**–**	**6,700**	**15,000**	**21,700**
Bank loans (floating)*	**44,420**	**706**	**–**	**45,126**
Trade and other payables (non–interest)	**41,784**	**–**	**–**	**41,784**
	89,921	**7,406**	**15,000**	**112,327**

	Less than 1 year £'000	2–5 years £'000	Over 5 years £'000	2010 Total £'000
Bank overdrafts (floating)	3,863	–	–	3,863
Debentures (fixed)	–	5,000	16,700	21,700
Bank loans (floating)*	–	45,104	–	45,104
Trade and other payables (non–interest)	38,553	–	–	38,553
	42,416	50,104	16,700	109,220

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:

	2011 Fair value £'000	2011 Carrying value £'000	2010 Fair value £'000	2010 Carrying value £'000
Cash and cash equivalents	**4,540**	**4,540**	5,966	5,966
Investments	**635**	**635**	717	717
Other assets	**24,911**	**24,911**	22,553	22,553
Bank overdrafts	**(3,717)**	**(3,717)**	(3,863)	(3,863)
Bank loans	**(45,126)**	**(45,001)**	(45,104)	(44,855)
Derivative liabilities	**(12,660)**	**(12,660)**	(5,787)	(5,787)
Other liabilities	**(41,784)**	**(41,784)**	(38,553)	(38,553)
Before debentures	**(73,201)**	**(73,076)**	(64,071)	(63,822)

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

25.9. Provisions for liabilities and charges

	2011 £'000	2010 £'000
Deferred Taxation		
Balance at 1 January	**(2,657)**	(267)
Transfer to profit and loss account	**(1,893)**	(2,390)
Balance at 31 December	**(4,550)**	(2,657)

No provision has been made for the approximate taxation liability at 26.5 per cent (2010: 28 per cent) of £545,000 (2010: £992,000) which would arise if the investment properties were sold at the stated valuation.

The deferred tax balance comprises the following:

	2011 £'000	2010 £'000
Accelerated capital allowances	**1,140**	1,243
Fair value of interest derivatives	**(3,165)**	(1,620)
Short–term timing differences	**170**	153
Losses	**(2,695)**	(2,433)
Provision at end of period	**(4,550)**	(2,657)

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 2011	4,866	47	13,407	23,425	41,745
Decrease on valuation of investment properties	–	–	(1,348)	–	(1,348)
Retained loss for year	–	–	–	(7,557)	(7,557)
Dividends paid in year	–	–	–	(964)	(964)
Loss on disposal of Treasury Shares	–	–	–	(464)	(464)
Balance at 31 December 2011	**4,866**	**47**	**12,059**	**14,440**	**31,412**

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

	2011 £'000	2010 £'000
Commitments to capital expenditure contracted for at the year end	**–**	–

25.14. Commitments under operating leases

At 31 December 2011 the company had annual commitments under non–cancellable operating leases on land and buildings as follows:

	2011 £'000	2010 £'000
Expiring in more than one year but less than five years	**390**	390

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amount to £354,000 (2010: £344,000).

25.15. Contingent liabilities

There were no contingent liabilities at 31 December 2011 (2010: £Nil), except as disclosed in Note 25.8.

Five year financial summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Portfolio size					
Investment properties–Group^	**194**	195	214	219	248
Investment properties–joint ventures	**29**	13	13	13	3
Investment properties–associate	**12**	12	12	12	15
	235	220	239	244	266
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**–**	–	–	9.18	112.71
Disposals	**(0.60)**	(20.74)	(17.79)	(15.33)	(41.37)
Capital Expenditure	**0.42**	0.49	3.46	9.73	9.15
	(0.18)	(20.25)	(14.33)	3.58	80.49
Consolidated income statement	**£m**	£m	£m	£m	£m
Rental income – Group and share of joint ventures	**16.99**	16.50	17.07	16.77	14.26
Less: attributable to joint venture partners	**(0.61)**	(0.52)	(0.52)	(0.27)	(1.23)
Group rental income	**16.38**	15.98	16.55	16.50	13.03
Profit/(loss) before interest and tax	**10.89**	11.97	20.49	(24.91)	(16.59)
Profit/(loss) before tax	**(18.56)**	(10.69)	21.41	(57.27)	(23.89)
Taxation	**3.74**	7.19	(2.36)	9.81	11.38
Profit/(loss) attributable to shareholders	**(14.82)**	(3.50)	19.05	(47.46)	(12.51)
Earnings/(loss) per share – basic	**(17.63)p**	(4.24)p	24.32p	(62.30)p	(16.40)p
Earnings/(loss) per share – fully diluted	**(17.63)p**	(4.24)p	24.32p	(62.30)p	(16.40)p
Dividend per share	**0.75p**	1.15p	1.15p	1.15p	1.95p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders' funds	**39.93**	55.76	59.10	40.30	88.99
Net borrowings	**133.03**	130.77	145.65	157.17	147.54
Net assets per share – basic	**47.53p**	66.71p	74.22p	52.73p	116.86p
– fully diluted	**47.53p**	66.69p	74.19p	52.70p	116.73p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Cash generated from operations	**10.89**	9.58	12.18	12.02	3.97
Capital investment and financial investment	**(0.50)**	20.42	13.94	(6.09)	9.84

Note: ^Excluding the present value of head leases

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 Seventy First Annual General Meeting of London & Associated Properties PLC (the "Company") will be held at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS on Wednesday 30 May 2012 at 10.30 am for the transaction of the following business:

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

1 To receive and adopt the Company's annual accounts for the financial year ended 31 December 2011 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 2011. **(Resolution 2)**

3 To re–elect as a director Mr R J Corry. **(Resolution 3)**

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

5 To re–elect as a director Mr J A Heller. **(Resolution 5)**

6 To re–elect as a director Mr C A Parritt. **(Resolution 6)**

7 To reappoint Baker Tilly UK Audit LLP as auditor, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting. **(Resolution 7)**

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

Special business

9 THAT:

9.1 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**"):

9.1.1 up to an aggregate nominal amount of £2,797,344; and

9.1.2 comprising equity securities (as defined in section 560(1) of the Companies Act 2006), up to a further aggregate nominal amount of £2,797,344 in connection with an offer by way of a rights issue to:

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

9.1.2.2 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;

9.2 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 the expiry of such authorities, 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

9.3 all previous authorities to allot shares or grant Rights, to the extent unused, shall be immediately revoked upon the passing of this resolution. **(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 and conditional upon the passing of resolution 9, 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 9 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 10.1.2 of resolution 10, 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 pursuant to paragraph 10.1.1 of this resolution) up to an aggregate nominal amount of £420,021 (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 9" were omitted from the introductory wording to paragraph 10.1 of this resolution; and

10.3 this power shall expire when the general authority given by resolution 9 is revoked or expires, save that the Company may before the expiry of such authority make an offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares 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 hereby authorised to be purchased is 8,554,271

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

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 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)**

12 That:

the Company be and is hereby unconditionally authorised to hold general meetings (other than annual general meetings) on not less than 14 clear days' notice. **(Resolution 12)**

24 Bruton Place
London
W1J 6NE

By order of the board
Heather Curtis
Secretary

Registered in England & Wales
Number 341829
20 April 2012

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 Road, Kent, BR3 4TU; and
   - received by Capita Registrars no later than 10.30am on 28 May 2012.
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.

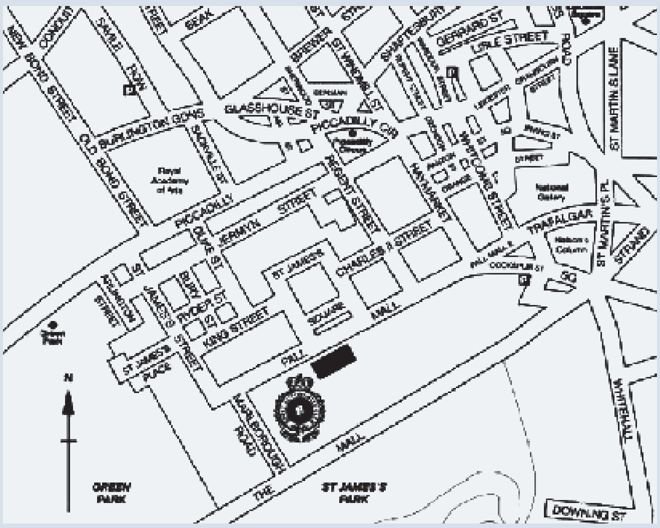
8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
9. As an alternative to completing your hard–copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 10.30am on 28 May 2012.
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 19 April 2012 (being the last business day prior to the publication of this Notice) the issued share capital of the Company consists of 84,004,313 ordinary shares of 10 pence each, carrying one vote each. Therefore, the total number of voting rights of the Company as at 19 April 2012 is 84,004,313.
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 30 May 2012 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 28 May 2012 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 28 May 2012 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 of the non–executive directors, are available for inspection at the registered office of the company during normal business hours (Saturdays, Sundays and Bank Holidays excluded) and will also be available for inspection at the annual general meeting from 10.15am on 30 May 2012 until the conclusion of 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 Royal Automobile 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 gentlemen to 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 my/our voting entitlement* to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Wednesday 30 May 2012 at 10.30 am at the Royal Automobile 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**
Ordinary Resolutions				
1	To receive and adopt the company's annual accounts for the year ended 31 December 2011 together with the directors' reports and the auditors' reports on those accounts.			
2	To approve the remuneration report for the year ended 31 December 2011.			
3	To re–elect as a director Mr R J Corry.			
4	To re–elect as a director Mr H D Goldring.			
5	To re–elect as a director Mr J A Heller.			
6	To re–elect as a director Mr C A Parritt.			
7	To reappoint Baker Tilly UK Audit LLP as auditor, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.			
8	To authorise the directors to determine the remuneration of the auditor.			
9	To authorise the directors to allot relevant securities.			
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.			
12	To authorise the calling of general meetings of the Company on 14 clear days' notice.			

Full Name **(block capitals please)**

Address

Signed this day of 2012 (Signature)

Notes:

1 Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as their proxy to exercise all or any of their rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the chairman, please insert the name of your chosen proxy holder in the space provided (see above). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement, (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

2 To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting Capita Registrars' helpline on 0871 664 0300 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 9:00am 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 28 May 2012.

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 28 May 2012 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 28 May 2012 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.

Cut out along dotted line

Second fold

Business Reply
Licence Number
RSBH–UXKS–LRBC

1

PXS
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

First fold

Third fold

Tuck inside facing flap

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

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Cert no. TT-COC-002715
www.fsc.org
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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.

www.lap.co.uk

London & Associated Properties PLC
24 Bruton Place
London W1J 6NE
email: admin@lap.co.uk