LAP

London & Associated Properties PLC

Annual report & accounts 2012

London & Associated Properties PLC

We are a fully listed UK shopping centre and Central London retail property specialist. We own and manage £244m of retail investments.

We look to create environments where major brands can thrive.

Financial calendar

Annual General Meeting
Tuesday 4 June 2013

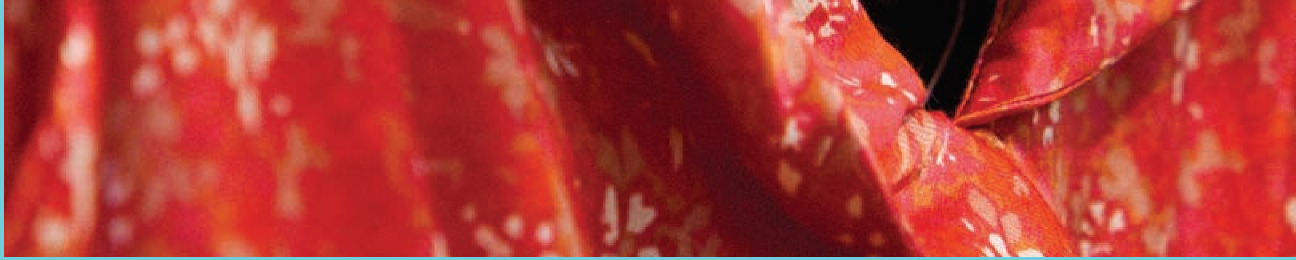
First interim management statement
Friday 17 May 2013

Announcement of half year results to 30 June 2013
Late August 2013

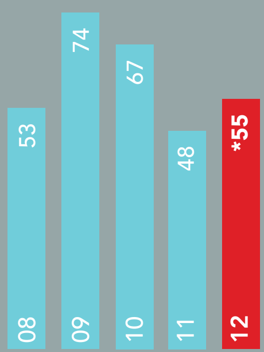
Second interim management statement
Monday 18 November 2013

Announcement of annual results for 2013
Late April 2014

Contents

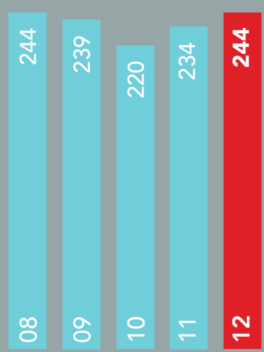


FULLY DILUTED NET ASSETS PER SHARE (P)



*ADJUSTED FULLY DILUTED NET ASSETS PER SHARE 93P (PAGE 12)

OVERALL PROPERTY PORTFOLIO (£M)



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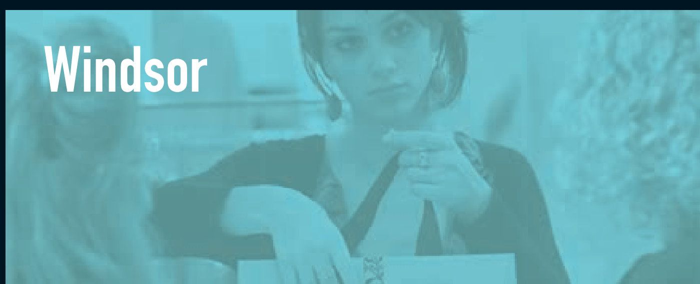


Sheffield


West Bromwich

Windsor

Chairman and Chief Executive's statement

In 2012, LAP has made a profit before tax under IFRS of £7.6 million compared to a loss of £18.6 million in 2011. The principal reason for this improvement is the increase in the value of our Shopping Centre portfolio following the valuation as at 31 December 2012. This is a particularly pleasing result given the pressure that most asset classes are experiencing in the current market, and reflects the successful performance of our larger assets.

2012 was arguably the most difficult year for retailers and retail focused property companies in living memory. A combination of an extremely challenging economy together with ongoing structural change to shopping habits have led to a large number of retailer insolvencies and, consequently, a surfeit of vacant shops in Shopping Centres and High Streets around the country. We have successfully minimised the impact of those changes on our portfolio, reacting swiftly to dispose of a number of mature assets which would have been adversely affected by this shift. As a result we now own a limited number of core shopping centre and other retail assets, all of which we believe will continue to trade successfully in their respective locations.

Faced with these challenging conditions, your Board is happy to report that our group rental income for the year was £15.8 million compared to £ 16.0 million in 2011, a small reduction primarily due to a temporary loss of income at Windsor while the former Boots space was being converted into three separate units. At 31 December 2012 the total value of our directly owned portfolio of shopping centres and other retail properties was £205 million compared to £194 million in 2011.

We have successfully minimised the impact of those changes on our portfolio, reacting swiftly to dispose of a number of mature assets which would have been adversely affected by this shift

Our diverse spread of retail tenants within the portfolio has provided some protection from retailer failure. However, those tenants who have used some form of insolvency and who as a consequence had the opportunity to vacate their shops have, in all but a couple of cases, remained within their units and taken new leases at the same rent as previously being paid. Where tenants did vacate, we have in almost all cases re-let their units with relative ease. Consequently, void levels in our portfolio by rental value have remained under 2%, which we believe to be a strong performance against the current real estate backdrop. Our average unexpired lease term is 8.5 years compared to 8.1 in 2011.

We manage our assets intensively – a policy that we have successfully followed for more than thirty years. We exchanged contracts in December 2012 to sell for £9.5 million our property in Chesterfield which is let to Primark and Card Factory, as well as the mainly freehold element of the former Boots unit in Windsor which we developed and let to Superdry. Completion of the sale is dependent on freeholder consent from the Royal Borough of Windsor and Maidenhead. The consent is expected to be received shortly when we anticipate that the sale will be completed. The proceeds of these two sales will be used in part to reduce expensive long-term borrowings, the majority of which are due to expire this year, with the balance being added to our cash reserves.

London & Associated Management Services (LAMS)

LAMS continues to perform well and this highlights market recognition of our asset management expertise as we continue to be engaged by both lenders and administrators to manage previously distressed assets on their behalf.

In August 2012 LAMS was appointed to asset manage a portfolio of four shopping centres in the north west of England. LAMS will receive a management fee for providing these services. During 2012, LAMS successfully concluded the asset management and subsequent disposal of a shopping centre and other assets in Ealing, West London on behalf of NAMA, the Irish Governmental debt management agency.

In Ealing, our management initiatives involved the removal of a number of smaller tenants within the shopping centre and pre-letting the entire Centre to a major fashion retailer, a supermarket and a fast food restaurant. As a result of these management initiatives, we were able to generate a gross increase in value of 15% for our clients. We collected fees of £0.7 million for this work.

We report on our major centres as follows:

King Edward Court, Windsor

King Edward Court remains fully let with the exception of a unit that we are holding vacant for a potential development. During the year, we experienced the failure of Game, whose unit has subsequently been re-let to a quality French patisserie, La Tartine, at a rent over 20% higher than that passing previously. We also experienced the insolvency of Sony Centre, a multiple retailer, whose unit is currently under offer to a national retailer at a rent significantly higher than previously received.

Last year, Travelodge also entered into a widely publicised creditors' voluntary arrangement. During this process, we were approached by their main competitor with an offer some 10% higher than the passing rent for the Windsor hotel, thus underscoring the rental value of this asset. In the event, this hotel was described as one of Travelodge's best performing locations, and was retained by them on slightly improved lease terms.

During 2012 there were several major rent reviews and we have achieved significant increases at Waitrose and Travelodge. King Edward Court is one of the few UK shopping centres to maintain or increase rental levels during the current recession.

The car park performs at a high level and we have been able to achieve a price increase of 5%.

Orchard Square, Sheffield

Orchard Square, Sheffield, also remains fully let in spite of the difficult trading conditions.

In March 2013, Republic, a tenant of one of our two prime units on Fargate, Sheffield's principal shopping street, went into administration and was acquired by Sports Direct. We have received strong outside interest in this prime unit should it become available to re-let. The Republic lease was already on a rent geared to 80% of estimated rental value. Consequently, we expect to at least maintain our income levels at this unit.

Where leases have become due for renewal, all affected tenants have remained in occupation and we are in the process of negotiating new leases. Those that have renewed already have been at rents ahead of the levels previously being paid.

Brixton Market

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

LAP established Brixton Village as a quality retail and restaurant location, this development has continued under Groupe Geraud with our two markets now recognised as an exciting destination. There has been much press commentary recommending Brixton Market as an important tourist destination and it has just been awarded 'Best Private Market in Britain' by the Communities Minister, Don Foster.

The market is fully let, and has currently over 100 retailers on the waiting list for any available space.

In the period since we signed our lease to InShops, gross revenues have increased by almost 25%, notwithstanding that the markets were fully let at the time. InShops believe that the outstanding demand will continue to drive rents forward in the market and they expect cash flows to continue to increase. We will receive 50% of this increased rental income in line with our profit share agreement with InShops.

The three properties detailed above continue to perform strongly and account for 83% of the LAP portfolio.

Kings Square, West Bromwich

In spite of the difficulties experienced in the the West Midlands economy, Kings Square has the same high level of occupancy as last year. Sandwell College, which houses some 11,000 students, has opened to the rear of our Centre and this has further increased footfall.

During 2012 and early 2013, both Bon Marche and Textiles Direct pursued an insolvency process. Pleasingly, Bon Marche renewed their lease at the same rent as previously passing, and we know they trade well from this location. Textiles Direct continue to trade their unit here, and we are confident that this unit will remain in occupation.

King Edward Court, Windsor

Halifax

We own this property in a 50:50 joint venture with Lloyds Banking Group (formerly HBoS). Following a number of management initiatives carried out by us during the year, the property remains fully let to national retailers. We agreed with the local authority, who occupy the upper parts to remove its five-yearly break clauses in exchange for LAP refurbishing the lifts and a temporary rent concession. As a result, the Local Authority is now about to invest in the property with a significant refurbishment of its office space.

This is the last joint venture that Uberior, Bank of Scotland's equity arm, entered into. The agreement comes to an end during the first half of 2013 and will be liquidated. At this stage we expect to receive cash for our equity which will be added to our reserves.

The rest of our portfolio continues to trade well.

Banking

Our £44.2million Revolving Credit Facility with RBS expired in September 2012. We are in discussions with RBS to extend this term facility by three years and hope to report more fully when these negotiations are successfully concluded.

As previously reported, the relocation of our Head Office has also led to a decrease in ongoing expenses by c £0.35m per annum.

Dividends

The Board has taken the decision not to pay a final dividend. This is to retain cash in the business and adopt a cautious approach during this period of economic uncertainty although we plan to resume dividends in the near future.

We would like to thank all of the Directors, staff and advisors who have contributed to our progress in what has been a demanding 12 months to 31 December 2012.

Sir Michael Heller,
Chairman

John Heller,
Chief Executive

18 April 2013

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Brixton Market, London


AVENUE

Finance Director's report

During 2012 management of our cash flow continued to be a priority for the Group. Years of experience, prudent management and reasonably good fortune have each contributed to comparatively low void levels of around 2% and this has enabled the group to continue to make good progress.

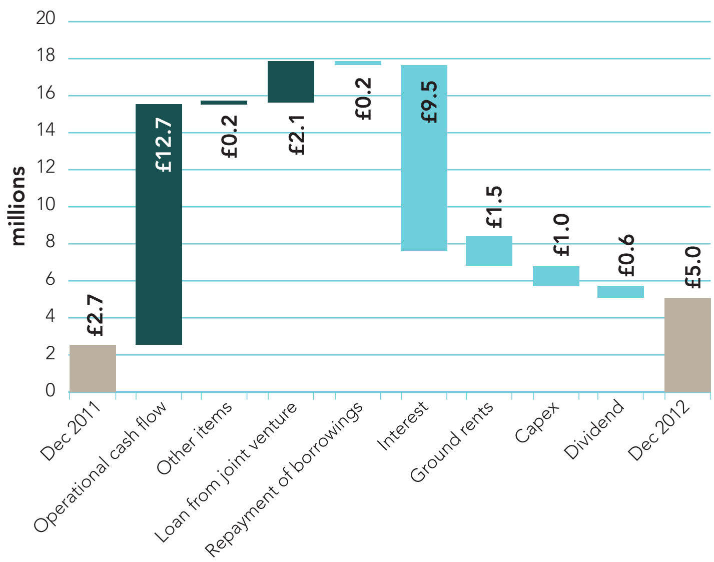
London & Associated Management Services (LAMS) manages property on behalf of third parties and this is producing a useful further revenue stream for the Group. During the year LAMS was appointed by Lloyds Banking Group to manage four shopping centres, further enhancing its income stream.

Cash flow

During the year term debt reduced marginally to £136.6 million (2011: £136.8 million). The Revolving Credit Facility of £44.2 million is being refinanced currently and I report on this more fully later in this report.

We have concentrated on maximising income coupled with cost control and, as a result we show an encouraging trading cash surplus, even after paying out £1.1 million on the redevelopment of the three units in Windsor.

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



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

Income statement

Group operating profit before interest was £11.4 million as compared with £12.2 million in the previous year. The result for the previous year was enhanced by substantial surrenders of £0.9 million as well as a £0.3 million profit on property sales. After eliminating these exceptional items the result in 2012 is a satisfactory improvement of £0.5 million in operating profit before interest.

Under IFRS rules the accounts are required to reflect the impact of various non-cash items. Appreciation in property valuations add £10.7 million to the result (2011 a depreciation of £1.0 million), whilst the mark-to-market valuations of derivatives resulted in an increased liability of £3.1 million (2011: £17.2 million). After these items the Group declared a profit before tax of £7.6 million, a significant turnaround from the loss of £18.6 million in the previous year.

	2012 £'000	2011 £'000
Annual rental income from properties still held	**15,189**	15,420
Surrenders	**(23)**	943
Income from properties sold in year	**-**	16
Revenue as per income statement	**15,166**	16,379

As can be seen the continuing rental income has been maintained at a very similar level as in 2011. However the strength of the ongoing income is underpinned by the fact that the 'Weighted Unexpired Average Lease Term' is 8.55 years across the Group compared to 8.1 years in 2011. Additionally the top 50 tenants produce over 78% of the total income. An analysis of the tenant income is given in note 23 to the accounts.

We continue to keep our overheads under review and we try to reduce them wherever we can. During the year we relocated our head office in London which will give annualised savings of approximately £0.35 million. The operating profit includes a one-off charge of £0.24 million for the costs incurred in the move.

In 2007 we entered into interest rate swaps to hedge the risk of the group's income being severely impacted by higher interest rates. Effectively we have contracted to pay a fixed rate of interest up to maturity. However we are required to calculate and disclose the liability which would arise if we were to settle this liability at the respective balance sheet date. The net present value (NPV) calculated in this way does not give a true picture of the position of the business. Interest rates have fluctuated substantially in recent years and this generates large movements in the IFRS calculation of the Group's net assets.

Should interest rates rise, the deficit of £33.9 million, as shown on the balance sheet, will reverse. The tax charge in the year is £0.4 million. This relates entirely to deferred tax.

Balance sheet

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

2012	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	234,069			(28,657)	**205,412**
Other fixed assets	2,173				**2,173**
Investments in associate and joint ventures	8,608				**8,608**
Other assets	8,000	(2,664)			**5,336**
Other liabilities	(75,106)		33,935	28,657	**(12,514)**
Net debt	(131,287)				**(131,287)**
Net assets	46,457	(2,664)	33,935	-	**77,728**
Adjusted NAV per share					**92.5p**
2011					
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					80.9p

Orchard Square, Sheffield

Group net assets under IFRS were £46.5 million (2011: £39.9 million), but the more meaningful EPRA figure shows net assets of £77.7 million (2011: 67.9 million), equivalent to 92.5p per share (2011: 80.9p), an increase of 14.3% on 2011.

Accounting judgments and 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. Interest rate hedges (as explained above) are stated at net present value of the estimated extra costs which will arise to maturity if current market interest rates stayed the same until maturity.

The Directors exercise their commercial judgement when reviewing the Group's cash flow forecasts and the underlying assumptions on which the forecasts are based. 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 Report and in this Report. In addition the Directors consider that note 17 to the financial statements sets out 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.

Negotiations are continuing in relation to the renewal of the £44.2 million term bank facility that originally expired in September 2012. While these negotiations are ongoing the existing facility was extended to 2 April 2013 and a further extension to 2 July 2013 has been agreed. The terms for a new facility are being finalised and the process of documenting them is being started. We will report more fully once the facility has been signed.

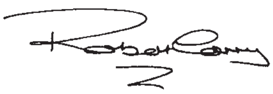
With a quality property portfolio comprising a majority of long leases supported by suitable financial arrangements, the Directors believe the company is well placed to manage its business risks successfully, despite the continuing uncertain economic climate. The Directors therefore have a reasonable 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

To preserve cash within the Group while we see how the economy develops, the Directors are not proposing a final dividend.

Our associated company Bisichi Mining PLC, in which we hold a 41.9% stake, had a strong year. The annual profit after taxation was £1.86 million. This figure is after a revaluation deficit under IFRS of £0.46 million.

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



Robert Corry,
Finance Director

18 April 2013

West Bromwich Shopping Centre

King Edward Court, Windsor

Directors and advisors

Directors

Executive Directors

* **Sir Michael 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 Executive Chairman of Delmore Asset Management Limited which specialises in the management of investment portfolios for private clients, charities, family trusts and pension funds. He also acts as an advisor providing high level asset allocation advice to family offices and pension schemes, including among others, Tesco Pension Investment Ltd. 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 of all sizes. He is Chairman of Baronsmead VCT 2 plc, DiGiCo Global Limited and BG Consulting Group Limited as well as being a director of F&C US Smaller Companies plc. Clive was President of the Institute of Chartered Accountants in England and Wales in 2011-12. 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

Westhouse 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 2012.

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 4 to 14 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 44 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 34.
- **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 31 and as discussed in the Finance Director's Report. Cash flow is shown on page 33.

Dividend Policy

The directors are not recommending payment of a dividend for 2012. An interim dividend for 2011 of 0.75p was paid on 20 January 2012.

The company's ordinary shares held in treasury

At 31 December 2012 1,538,398 (2011: 1,538,398) ordinary shares were held in Treasury with a market value of £276,042 (2011: £403,829). At the Annual General Meeting (AGM) in May 2012 members renewed the authority for the company to purchase up to 10 per cent. of its issued ordinary shares. The company will be asking members to renew this authority at the next AGM in June 2013.

Movements in Treasury shares during the year	Number of shares
Treasury shares held at 1 January 2012	1,538,398
Treasury shares held at 31 December 2012	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.

Subsequent to the year-end, 283,660 shares have been transferred from Treasury in respect of shares issued in connection with an approved HMRC share incentive plan and Directors' and staff bonuses. The shares were issued at a price between 21.75p and 22p on 2 January 2013.

Investment properties

The freehold and long leasehold properties of the company and its subsidiaries were revalued as at 31 December 2012 by external professional firms of chartered surveyors - Allsop LLP, London (97.97 per cent of the portfolio), and BNP Paribas, Leeds (2.03 per cent). The valuations, which are reflected in the financial statements, amount to £205.4 million (2011: £193.7 million).

Taking account of prevailing market conditions, the valuation of Group properties at 31 December 2012 resulted in an increase of £10.7 million (2011: reduction of £1million). 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 £2.5 million (2011: reduction of £0.5 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

Sir Michael Heller, J A Heller, R J Corry, H D Goldring, C A Parritt were directors of the company for the whole of 2012. Sir Michael Heller and H D Goldring are retiring by rotation at the Annual General Meeting in 2013 and offer themselves for re-election.

Brief details of the directors offering themselves for re-election are as follows:

Sir Michael Heller is executive chairman and has been a director since 1971. He has a contract of service determinable at six months notice. Sir Michael Heller is a chartered accountant and a member of the nomination committee. He is executive chairman of Bisichi Mining PLC, our associate company. The board had considered the re-appointment of Sir Michael Heller and recommends his re-election as director.

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 for private clients, charities, family trusts and pension funds. He also acts as an advisor providing high level asset allocation advice to family offices and pension schemes, including among others, Tesco Pension Investment Ltd. The board has considered the re-appointment of Howard Goldring and recommends his re-election as a director. His specialised economic knowledge and broad business experience are of significant benefit to the business.

Directors' interests

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

	Beneficial interests		Non-beneficial interests	
	31 Dec 12	1 Jan 12	31 Dec 12	1 Jan 12
Sir Michael Heller	6,304,002	6,304,002	19,277,931	19,277,931
R J Corry	998,355	998,355	-	-
H D Goldring	19,819	19,819	-	-
J A Heller	1,630,649	1,630,649	†14,073,485	†14,073,485
C A Parritt	36,166	36,166	-	-

† These non-beneficial holdings are duplicated with those of Sir Michael Heller.

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).

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

Substantial shareholdings

At 31 December 2012 Sir Michael 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 (2011: 47.5 million shares representing 56.6 per cent.). Cavendish Asset Management Limited had an interest in 6,985,120 shares representing 8.32 per cent. of the issued share capital of the company (2011: 5,667,134 shares representing 6.75 per cent.). James Hyslop had an interest in 3,336,258 shares representing 3.97 per cent. of the issued share capital of the company.

The company is not aware of any other holdings exceeding 3 per cent. of the issued share capital. Subsequent to the year-end and at the date of this report Sir Michael Heller and his family's interest increased to 47.6 million shares of the company representing 56.5 per cent. of the issued share capital net of treasury shares. James Hyslops' holding increased to 3,376,258 representing 4.01 per cent. of the issued share capital.

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 9).

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 2012 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, one other executive director and two non-executive directors. Their details appear on page 15. 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 27. 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 23 to 25.
- The audit committee comprises the non-executive directors and is chaired by C A Parritt. The audit committee report is set out on page 26.

Board and board committee meetings held in 2012

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
Sir Michael 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

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 2012. 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 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. All directors and staff have since completed an e-learning course and continue to do so on a bi-annual basis. The company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance with the code is closely monitored.

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 27 days annual trade purchases (2011: 16 days).

Donations

No political donations were made during the year (2011: £Nil). Donations for charitable purposes amounted to £3,200 (2011: £2,000).

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 4 and 7. The Finance Director's Report on pages 10 to 13 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 £44.2 million Revolving Credit Facility with RBS and extended to April 2013, as has been set out in both the Chairman and Chief Executives Statement and the Finance Directors Report. A further extension to July 2013 has been agreed. 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 and has 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 Tuesday 4 June 2013 at 10.30 a.m. Items 1 to 7 will be proposed as ordinary resolutions. More than 50 per cent. of shareholders' votes must be in favour for these resolutions to be passed. Items 8 to 10 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 7 - Authority to allot securities

Paragraph 7.1.1 of Resolution 7 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 £2,809,599. This represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) as at 15 April 2013 (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 7.1.2 of Resolution 7 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 £2,809,599, in connection with a rights issue. This amount represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) as at 15 April 2013 (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:

Resolution 8 - 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 2014, 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 £421,440 representing in accordance with institutional investor guidelines, approximately 5 per cent. of the total ordinary share capital in issue as at 15 April 2013 (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 per cent. of the company's ordinary share capital within a rolling three-year period without prior consultation with shareholders.

Resolution 9 - Purchase of own ordinary shares

The effect of Resolution 9 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 8,428,797 ordinary shares (representing approximately 10 per cent. of the company's issued share capital as at 15 April 2013 (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 105 per cent. of the average market price for an ordinary share for the five business days preceding any such purchase. The authority conferred by Resolution 9 will expire at the conclusion of the company's next annual general meeting to be held in 2014 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 15 April 2013 (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 per cent. of the company's issued share capital. If the authority to make new market purchases sought under Resolution 9 is ever used in full, such options would represent approximately 0.09 per cent. of the reduced issued share capital of the company (based on the share capital as at 15 April 2013).

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

18 April 2013
24 Bruton Place
London
W1J 6NE

Remuneration report

The remuneration committee is pleased to present its report for the year ended 31 December 2012.

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			
Sir Michael 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 2012

	Salary and fees £'000	Bonus in cash £'000	Bonus in shares £'000	Other benefits £'000	**2012 total before pension contrib-utions £'000**	Pension contrib-utions £'000	**Total 2012 £'000**	2011 total before pension contrib-utions £'000	Pension contrib-utions £'000	Total 2011 £'000
Sir Michael Heller*	7	-	14	40	**61**	-	**61**	51	-	51
J A Heller	300	30	15	42	**387**	30	**417**	641	30	671
R J Corry	166	-	9	23	**198**	33	**231**	189	33	222
M C Stevens†	-	-	-	-	**-**	-	**-**	51	3	54
	473	30	38	105	**646**	63	**709**	932	66	998
Non-executive directors										
H D Goldring*	43	-	-	4	**47**	-	**47**	47	-	47
C A Parritt *	33	-	-	-	**33**	-	**33**	33	-	33
	76	-	-	4	**80**	-	**80**	80	-	80
Total remuneration for directors' service during year	549	30	38	109	**726**	63	**789**	1,012	66	1,078

* 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

Two (2011: three) directors have benefits under money purchase pension schemes. Contributions in 2012 were £63,000 (2011: £66,000) 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 three executive directors during 2012 (2011: one) and no non-executive directors (2011: nil).

Directors

Although Sir Michael 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 Sir Michael Heller has an interest. The board estimates that the value of these services, if supplied to a third party, would have been £275,000 (2011: £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). It 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 2012 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 2012. 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 2012 was 22.0p (2011: 26.25p). During the year the share mid-market price ranged between 20.0 and 28.5p.

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 20 December 2012, 90,480 free shares up to the annual maximum of £3,000 per member were awarded at 22.0p (2011: 41.75p)

* The shares below were not transferred from treasury to members until 2 January 2013.

Free shares awarded:

	Number of members		Number of shares		Value of shares	
	2012	2011	**2012***	2011	**2012*** **£**	2011 £
Directors:						
R J Corry	1	1	13,636	7,185	3,000	3,000
J A Heller	1	0	13,636	0	3,000	0
M C Stevens †	-	1	-	7,185	-	3,000
Staff	5	11	63,208	62,027	13,906	25,896
Total at 31 December	**7**	13	**90,480**	76,397	**19,906**	31,896

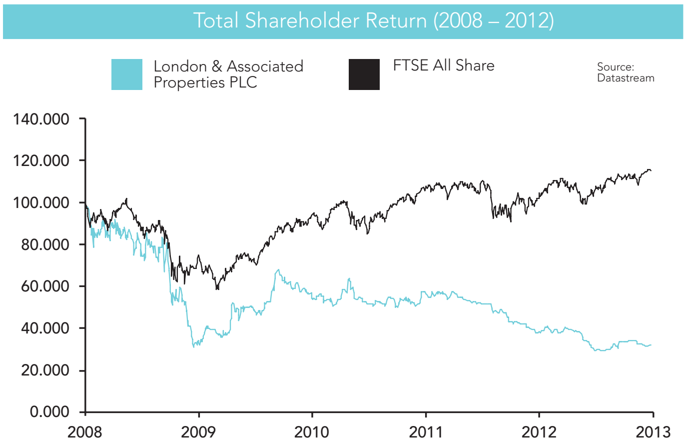
2. **Partnership shares:** No partnership shares were issued between November 2011 and October 2012.
3. **Matching shares:** The partnership share agreements for the year to 31 October 2012 provide for two matching shares to be awarded free of charge for each partnership share acquired. No partnership shares were acquired in 2012 (2011: nil). Matching shares will usually be forfeited if a member leaves employment in the group within 5 years of their grant.

4. Dividend shares: Dividends on shares acquired under the SIP will be utilised to acquire additional shares. Accumulated dividends received on shares in the SIP to 31 December 2012 amounted to nil (2011: £5,775). * The shares in the table below were not transferred to members until 2 January 2013.

Dividend shares issued:

	Number of members		Number of shares		Value of shares	
	2012	2011	**2012***	2011	**2012*** **£**	2011 £
Directors:						
R J Corry	1	1	2,462	2,423	535	739
J A Heller	1	1	2,211	2,329	481	710
Staff	12	15	20,109	21,648	4,373	6,603
Total at 31 December	**14**	17	**24,782**	26,400	**5,389**	8,052

† 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

18 April 2013

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 auditors, the rotation of the audit partner every five years and on their remuneration for both audit and non-audit work; discuss the nature and scope of their audit work and undertake a formal assessment of their independence each year, which includes:
  - i) a review of non-audit services provided to the Group and related fees;
  - ii) discussion with the auditors of their written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
  - iii) a review of the auditors own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
  - iv) obtaining a written confirmation from the auditors that, in their professional judgement, they are independent.

Meetings

The committee meets at least twice prior to the publication of the annual results and discusses and considers the half year results prior to their approval by the board. The audit committee meetings are attended by the external audit partner, chief executive, finance director and company secretary. During the year 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 auditors, and discussed their reports to the audit committee.
- approved the publication of annual and half year financial results.
- considered and approved the annual review of internal controls.
- decided that there was no current need for an internal audit function.
- agreed the independence of the auditors and approved their fees for both audit and non-audit services as set out in note 2 to the financial statements.
- the chairman of the audit committee has also had separate discussions 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

18 April 2013

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 Conduct 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 Regulation. 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 15 confirm that, to the best of each person's knowledge:

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

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

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 2012 by the company as detailed in our Valuation Reports dated 12 February 2013 and 4 March 2013.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2012 of these interests was:

	£'000
Freehold	73,080
Leasehold	128,155
	201,235

33 Wigmore Street, London W1U 1BZ
4 March 2013

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 property interests held as at 31 December 2012 by the company as detailed in our Valuation Report dated 21 February 2013.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2012 of these interests was:

	£'000
Freehold	**4,177**

Capitol House, Russell Street, Leeds LS1 5SP
21 February 2013

BNP Paribas Real Estate Advisory & 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 30 to 59 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 27 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 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 21, 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 on 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

18 April 2013

Consolidated income statement

for the year ended 31 December 2012

	Notes	**2012 £'000**	2011 £'000
Gross rental income			
Group and share of joint ventures		**15,827**	16,047
Lease surrenders		**(23)**	943
Less: joint ventures - share of rental income		**(638)**	(611)
Revenue	1	**15,166**	16,379
Direct property expenses		**(1,351)**	(1,819)
Overheads		**(2,514)**	(2,700)
Property overheads	1	**(3,865)**	(4,519)
Net rental income	1	**11,301**	11,860
Listed investments held for trading	3	**97**	24
Profit on sale of investment properties		**-**	310
Operating profit before financing charges	1	**11,398**	12,194
Finance income	5	**47**	34
Finance expenses	5	**(11,344)**	(11,344)
Operating profit after financing charges		**101**	884
Revaluation and other movements, associates and joint ventures			
Net increase/(decrease) on revaluation of investment properties		**10,692**	(1,021)
Net increase/(decrease) in value of investments held for trading		**4**	(104)
Share of (loss)/profit of joint ventures, after tax	10	**(634)**	10
Share of profit/(loss) of associate, after tax	11	**545**	(189)
Interest rate derivative break cost	17	**-**	(920)
Adjustment to the Net Present Value of interest rate derivative	17	**(3,085)**	(17,223)
Profit/(loss) including revaluation and other movements		**7,623**	(18,563)
Income tax	6	**(354)**	3,742
Profit/(loss) for the year attributable to the owners of the parent		**7,269**	(14,821)
Basic profit/(loss) per share	8	**8.65p**	(17.63)p
Diluted profit/(loss) per share	8	**8.65p**	(17.63)p

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

Consolidated balance sheet

at 31 December 2012

	Notes	**2012 £'000**	2011 £'000
Non-current assets			
Market value of properties attributable to Group		**205,412**	193,748
Present value of head leases		**28,657**	28,661
Property	9	**234,069**	222,409
Plant and equipment	9	**260**	484
Investments in joint ventures	10	**1,337**	2,039
Investments in associated company	11	**7,271**	7,011
Held to maturity investments	12	**1,913**	1,998
Deferred tax	18	**3,324**	3,678
		248,174	237,619
Current assets			
Trade and other receivables	13	**4,656**	4,301
Financial assets - investments held for trading	14	**20**	635
Cash and cash equivalents		**8,303**	6,464
		12,979	11,400
Total assets		**261,153**	249,019
Current liabilities			
Trade and other payables	15	**(12,514)**	(9,453)
Financial liabilities - borrowings	16	**(52,666)**	(48,012)
		(65,180)	(57,465)
Non-current liabilities			
Financial liabilities - borrowings	16	**(86,924)**	(92,114)
Interest rate derivatives	17	**(33,935)**	(30,850)
Present value of head leases on properties		**(28,657)**	(28,661)
		(149,516)	(151,625)
Total liabilities		**(214,696)**	(209,090)
Net assets		**46,457**	39,929
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		**(338)**	(216)
Capital redemption reserve		**47**	47
Retained earnings (excluding treasury shares)		**34,749**	28,099
Treasury shares	19	**(1,421)**	(1,421)
Retained earnings		**33,328**	26,678
Total shareholders' equity		**46,457**	39,929
Net assets per share	8	**55.30p**	47.53p
Diluted net assets per share	8	**55.29p**	47.53p

These financial statements were approved by the board of directors and authorised for issue on 18 April 2013 and signed on its behalf by:

Sir Michael Heller
Director

R J Corry
Director

Company Registration No. 341829

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Translation reserves in associate £'000	Capital redemption reserve £'000	Retained earnings: Treasury shares £'000	Retained earnings: Retained earnings excluding treasury shares £'000	Total equity £'000
Balance at 1 January 2011	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)
Transactions with owners:							
Equity share options in associate	-	-	-	-	-	6	6
Acquisition 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
Profit for year	-	-	-	-	-	7,269	7,269
Other comprehensive income:							
Currency translation in associate	-	-	(122)	-	-	-	(122)
Total other comprehensive income	-	-	(122)	-	-	-	(122)
Total comprehensive income	-	-	(122)	-	-	7,269	7,147
Transaction with owners:							
Equity share options in associate	-	-	-	-	-	11	11
Dividends paid	-	-	-	-	-	(630)	(630)
Transactions with owners	-	-	-	-	-	(619)	(619)
Balance at 31 December 2012	**8,554**	**4,866**	**(338)**	**47**	**(1,421)**	**34,749**	**46,457**

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

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	2012 £'000	2011 £'000
Profit/(loss) for the year	**7,269**	(14,821)
Other comprehensive income:		
Currency translation in associate	**(122)**	(246)
Other comprehensive income for the year net of tax	**(122)**	(246)
Total comprehensive income for the period attributable to owners of the parent	**7,147**	(15,067)

Consolidated cash flow statement

for the year ended 31 December 2012

	2012 £'000	2011 £'000
Operating activities		
Operating profit before financing charges	**11,398**	12,194
Depreciation	**188**	158
(Profit)/loss on disposal of non-current assets	**(121)**	9
Profit on sale of investment properties	**-**	(310)
Decrease/(increase) in net current assets	**1,257**	(1,160)
Cash generated from operations	**12,722**	10,891
Income tax paid	**-**	-
Cash inflows from operating activities	**12,722**	10,891
Investing activities		
Investment in shares and loan stock in joint ventures	**85**	(940)
Investment in shares in associate	**-**	(131)
Property acquisitions and improvements	**(1,115)**	(298)
Sale of properties	**-**	910
Purchase of office equipment and motor vehicles	**(37)**	(70)
Sale of office equipment and motor vehicles	**194**	33
Interest received	**47**	34
Dividends received from associate and joint ventures	**242**	181
Cash outflows from investing activities	**(584)**	(281)
Financing activities		
Purchase of treasury shares	**-**	(101)
Sale of treasury shares	**-**	294
Equity dividends paid	**(630)**	(964)
Interest paid	**(9,514)**	(9,244)
Interest on obligation under finance leases	**(1,477)**	(1,682)
Interest rate derivatives break costs paid	**-**	(920)
Short term loan from joint ventures	**2,000**	-
Repayment of short term bank loan	**-**	(910)
(Repayment)/payment of medium term bank loan	**(236)**	943
Cash outflows from financing activities	**(9,857)**	(12,584)
Net increase/(decrease) in cash and cash equivalents	**2,281**	(1,974)
Cash and cash equivalents at beginning of year	**2,747**	4,721
Cash and cash equivalents at end of year	**5,028**	2,747

Cash and cash equivalents

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

	2012 £'000	2011 £'000
Cash and cash equivalents (before bank overdrafts)	**8,303**	6,464
Bank overdrafts	**(3,275)**	(3,717)
Cash and cash equivalents at end of year	**5,028**	2,747

Group accounting policies

The following are the principal group accounting policies:

Basis of accounting

The group financial statements for the year ended 31 December 2012 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 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 consider that note 17 to the financial statements sets out 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.

Negotiations are continuing in relation to the renewal of the £44.2 million term bank facility that originally expired in September 2012. While these negotiations are ongoing the existing facility was extended to 2 April 2013 and a further extension to 2 July 2013 has been agreed. The terms for a new facility are being finalised and the process of documenting them is being started. We will report more fully once the facility has been signed.

With sound financial resources, the pending renewal of the £44 million facility 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. As the Group is working with its bank and advisors on the renewal of the term facilities the Directors 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.

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 the estimates are contained in the Directors' Report.

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.

International Accounting Standards (IAS/IFRS)

The following standards and interpretations have been applied for the first time in these financial statements, were in issue:

IFRS 7 Financial Instruments: Disclosures (amendment).

At the date of approval of these financial statements, the following standards and interpretations have been issued and adopted by the EU but are not effective for the year ended 31 December 2012 and have not been adopted early:

IFRS 7 Financial Instruments (amendment)
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 1 Presentation of Financial Statements (amendment)
IAS 12 Income taxes (amendment)
IAS 19 Employee Benefits (revised)
IAS 27 Separate Financial Statements (revised)
IAS 28 Investments in Associates and Joint Ventures (revised)
IAS 32 Financial Instruments: Presentation (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 benefit economically 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 current market rate of interest assuming that this rate is applied for the remainder of the hedge.

Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction e.g. 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 e.g. 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 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 2012

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

	2012 Property £'000	2012 Other investments £'000	2012 Total £'000	2011 Property £'000	2011 Other investments £'000	2011 Total £'000
Rental income	**15,166**	**-**	**15,166**	16,379	-	16,379
Property overheads	**(3,865)**	**-**	**(3,865)**	(4,519)	-	(4,519)
Net rental income	**11,301**	**-**	**11,301**	11,860	-	11,860
Listed investment income	**-**	**97**	**97**	-	24	24
Profit on sale of investment properties	**-**	**-**	**-**	310	-	310
Operating profit before financing charges*	**11,301**	**97**	**11,398**	12,170	24	12,194
Total assets (excluding investments in associate and joint ventures)	**250,612**	**20**	**250,632**	237,336	635	237,971
Total liabilities (excluding borrowings and current tax)	**(75,106)**	**-**	**(75,106)**	(68,964)	-	(68,964)
Borrowings	**(139,590)**	**-**	**(139,590)**	(140,126)	-	(140,126)
Net assets	**35,916**	**20**	**35,936**	28,246	635	28,881
Investments in joint ventures: non segmental (notes 10 and 12)			**3,245**			4,032
Investments in associate: non segmental (note 11)			**7,271**			7,011
Investments in unlisted companies			**5**			5
Net assets as per balance sheet			**46,457**			39,929
Other segment items:						
Net increase/(decrease) on revaluation of investment properties	**10,692**	**-**	**10,692**	(1,021)	-	(1,021)
Net increase/(decrease) on revaluation of investments held for trading	**-**	**4**	**4**	-	(104)	(104)
Finance income	**47**	**-**	**47**	34	-	34
Finance expenses	**11,344**	**-**	**11,344**	11,344	-	11,344
Depreciation	**188**	**-**	**188**	158	-	158
Capital expenditure	**1,009**	**-**	**1,009**	493	-	493

Net 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 2012 £'000	2011 £'000
Rental income	**15,166**	**715**	**203**	**1,431**	**17,515**	**15,804**	16,990
Direct property expenses	**(1,351)**	**(111)**	**(58)**	**(183)**	**(1,703)**	**(1,458)**	(1,860)
Overheads	**(2,514)**	**(211)**	**(118)**	**(129)**	**(2,972)**	**(2,695)**	(2,895)
	11,301	**393**	**27**	**1,119**	**12,840**	**11,651**	12,235
Less: attributable to joint ventures						**(350)**	(375)
Net rental income						**11,301**	11,860

* 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 investments 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 (2011: none).

2. Profit/(loss) before taxation

	2012 £'000	2011 £'000
Profit/(loss) before taxation is arrived at after charging/(crediting):		
Staff costs (note 21)	**1,946**	2,283
Depreciation on tangible fixed assets - owned assets	**188**	158
Operating lease rentals - land and buildings	**550**	375
(Profit)/loss on disposal of motor vehicles and office equipment	**(121)**	10
Amounts payable to the auditor in respect of both audit and non-audit services		
Audit services:		
Statutory - company and consolidation	**69**	63
- subsidiaries	**29**	32
Further assurance services	**2**	3
Other services	**8**	8
	108	106

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

3. Listed investments held for trading

	2012 £'000	2011 £'000
Investment sales	**733**	-
Dividends receivable	**8**	24
	741	24
Cost of sales	**(619)**	-
	122	24
Attributable overheads	**(25)**	-
Net income from listed investments	**97**	24

4. Directors' emoluments

	2012 £'000	2011 £'000
Emoluments	**726**	1,012
Defined contribution pension scheme contributions	**63**	66
	789	1,078

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

5. Finance income and expenses

	2012 £'000	2011 £'000
Finance income	**47**	34
Finance expenses		
Interest on bank loans and overdrafts	**(2,574)**	(2,518)
Other loans	**(2,206)**	(2,103)
Interest on derivatives adjustment	**(4,647)**	(4,743)
Interest on obligations under finance leases	**(1,917)**	(1,980)
Total finance expenses	**(11,344)**	(11,344)
	(11,297)	(11,310)

6. Income tax

	2012 £'000	2011 £'000
Current tax		
Corporation tax on profit/(loss) of the period	**-**	-
Adjustments in respect of previous periods	**-**	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**46**	(381)
Revaluation of investment properties	**1,770**	(547)
Accelerated capital allowances	**(1,370)**	1,045
Fair value of interest derivatives	**(92)**	(3,897)
Adjustments in respect of previous periods	**-**	38
Total deferred tax (note 18)	**354**	(3,742)
Tax on loss on ordinary activities	**354**	(3,742)

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 24.5 per cent (2011: 26.5 per cent). The differences are explained below:

Profit/(loss) on ordinary activities before taxation	**7,623**	(18,563)
Taxation on ordinary activities at 24.5 per cent (2011: 26.5%)	**1,868**	(4,919)
Effects of:		
Other differences	**(1,824)**	951
Joint ventures and associate	**(33)**	(41)
Deferred tax rate adjustment	**343**	229
Adjustment in respect of prior years	**-**	38
Tax charge/(credit) for the period	**354**	(3,742)

The main component of other differences in the reconciliation relates to potential indexation for capital gains of £0.8 million (2011: indexation allowance £0.8 million) and the adjustment of capital allowances in the year which are no longer payable of (£2.3 million) (2011: £NIL).

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

	2012 Per share	£'000	2011 Per share	£'000
Dividends paid during the year relating to the prior period	**0.75p**	**630**	1.15p	964
Dividends to be paid:				
Interim dividend	**-**	**-**	0.75p	630
Proposed final dividend	**-**	**-**	-	-
	-	**-**	0.75p	630

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

Profit/(loss) per share have been calculated as follows:

	2012	2011
Profit/(loss) for the year for the purposes of basic and diluted profit/(loss) per share (£'000)	**7,269**	(14,821)
Weighted average number of ordinary shares in issue for the purpose of basic profit/(loss) per share ('000)	**84,004**	84,074
Basic profit/(loss) per share	**8.65p**	(17.63)p
Weighted average number of ordinary shares in issue for the purpose of diluted profit/(loss) per share ('000)	**84,004**	84,074
Fully diluted profit/(loss) per share	**8.65p**	(17.63)p

Weighted average number of shares in issue is calculated after excluding treasury shares of 1,538,398 (2011: 1,538,398).

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

Net assets per share have been calculated as follows:

	Net assets		**Shares in issue**		**Net assets per**	
	2012 £'000	2011 £'000	**2012 '000**	2011 '000	**2012 Pence**	2011 Pence
Basic						
At 31 December	**46,457**	39,929	**84,004**	84,004	**55.30**	47.53
Dilution adjustments for shares subject to option agreements:						
Issue of outstanding share options	**28**	28	**70**	70		
Diluted	**46,485**	39,957	**84,074**	84,074	**55.29**	47.53

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 2012	222,409	79,678	142,275	456	1,344
Additions	972	626	346	-	37
Disposals	-	-	-	-	(245)
Decrease in present value of head leases	(4)	-	(4)	-	-
Increase/(decrease) on revaluation	10,692	(3,047)	13,889	(150)	-
Cost or valuation at 31 December 2012	**234,069**	**77,257**	**156,506**	**306**	**1,136**
Representing assets stated at:					
Valuation	205,412	77,257	127,855	300	-
Present value of head leases	28,657	-	28,651	6	-
Cost	-	-	-	-	1,136
	234,069	77,257	156,506	306	1,136
Depreciation at 1 January 2012	-	-	-	-	860
Charge for the year	-	-	-	-	188
Disposals	-	-	-	-	(172)
Depreciation at 31 December 2012	**-**	**-**	**-**	**-**	**876**
Net book value at 1 January 2012	222,409	79,678	142,275	456	484
Net book value at 31 December 2012	**234,069**	**77,257**	**156,506**	**306**	**260**

9. **Property and plant and equipment** continued

		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

The leasehold and freehold properties, excluding the present value of head leases, were valued as at 31 December 2012 by external professional firms of chartered surveyors. The valuations were made at open market value.

	2012 £'000	2011 £'000
Allsop LLP	**201,235**	95,155
BNP Paribas Real Estate	**4,177**	4,033
Jones Lang LaSalle	**-**	94,560
	205,412	193,748
Add: Present value of headleases	**28,657**	28,661
	234,069	222,409

The historical cost of investment properties, including total capitalised interest of £6,051,000 (2011: £6,051,000) was as follows:

	2012			2011		
	Freehold £'000	**Leasehold Over 50 years £'000**	**Short Leasehold £'000**	Freehold £'000	Leasehold Over 50 years £'000	Short Leasehold £'000
Cost at 1 January	**76,133**	**121,889**	**785**	76,308	121,466	785
Additions	**626**	**346**	**-**	-	423	-
Disposals	**-**	**-**	**-**	(175)	-	-
Cost at 31 December	**76,759**	**122,235**	**785**	76,133	121,889	785

Contracts were exchanged in December 2012 to sell for £9.5million the group properties in Chesterfield and a shop unit in Windsor. The sale is expected to be completed by May 2013.

10. Investment in joint ventures

	2012 £'000	2011 £'000
Group share of:		
Turnover	**638**	611
Loss before tax	**(683)**	(15)
Taxation	**49**	25
(Loss)/profit after tax	**(634)**	10
Non-current assets	**7,522**	8,268
Current assets	**2,013**	1,586
Current liabilities	**(6,040)**	(443)
Non-current liabilities	**(2,158)**	(7,372)
Net assets	**1,337**	2,039

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 of £1 each (2011: 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 (2011: 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. Since the year end the unitholders made additional capital contributions in proportion to their original holdings and the company's share was £31,250.

Shares in joint ventures:

	2012 £'000	2011 £'000
At 1 January	**2,039**	1,163
Share of (loss)/profit after tax	**(634)**	10
Dividend received	**(68)**	(22)
Investment in shares	**-**	888
	(702)	876
At 31 December	**1,337**	2,039

11. Investments in associated company

Associate

	2012 £'000	2011 £'000
Bisichi Mining PLC - listed mining and property investment company		
Group share of:		
Turnover	**15,100**	12,551
Profit/(loss) before tax	**818**	(568)
Taxation	**(273)**	379
Profit/(loss) after tax	**545**	(189)
Non-current assets	**10,397**	10,383
Current assets	**4,624**	5,083
Current liabilities	**(6,005)**	(7,071)
Non-current liabilities	**(1,560)**	(1,324)
Minority interest	**(185)**	(60)
Net assets	**7,271**	7,011

11. Investments in associated company continued

	2012 £'000	2011 £'000
Share in associate:		
At 1 January	**7,011**	7,483
Share of profit/(loss) after tax	**545**	(189)
Investment in shares	**-**	131
Equity share options	**11**	6
Currency translation	**(122)**	(246)
Dividend received	**(174)**	(174)
	260	(472)
At 31 December	**7,271**	7,011

The company owns 42 per cent (2011: 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 (2011: 10,556,839) 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 2012 was £4,654,000 (2011: £6,206,000). No impairment is necessary as the Directors consider the market value deficit temporary.

12. Held to maturity investments

	2012 Total £'000	**Unlisted Shares £'000**	**Loan Stock in joint ventures £'000**	2011 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000
Cost						
At 1 January	**1,998**	**5**	**1,993**	1,946	5	1,941
Loan stock issued	**-**	**-**	**-**	220	-	220
Repayments	**(85)**	**-**	**(85)**	(168)	-	(168)
At 31 December	**1,913**	**5**	**1,908**	1,998	5	1,993

13. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**1,261**	1,100
Amounts due from associate and joint ventures	**178**	442
Other receivables	**221**	191
Prepayments and accrued income	**2,996**	2,568
	4,656	4,301

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

14. Investments held for trading

	2012 £'000	2011 £'000
Market bid value of the listed investment portfolio	**20**	635
Unrealised deficit of market value over cost	**(3)**	(499)
Listed investment portfolio at cost	**23**	1,134

All investments are listed on the London Stock Exchange.

15. Trade and other payables

	2012 £'000	2011 £'000
Trade payables	**1,409**	426
Amounts owed to joint ventures	**3,266**	1,144
Other taxation and social security costs	**1,216**	954
Other payables	**939**	725
Accruals and deferred income	**5,684**	6,204
	12,514	9,453

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

	2012 £'000	2011 £'000
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**5,000**	-
Bank overdrafts (secured)	**3,275**	3,717
£1 million term bank loan repayable by 2015 (unsecured)	**247**	226
£47 million revolving credit facility repayable in 2013* (secured)	**44,144**	44,069
	52,666	48,012

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
£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*	**9,837**	9,821
	16,537	21,521
Term bank loans:		
£1 million term bank loan repayable by 2015	**460**	706
£70 million term bank loan repayable in 2014*	**69,927**	69,887
	70,387	70,593
	86,924	92,114

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

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

First Mortgage Debenture Stocks October 2013, 2016, August 2018 and 2022, the £47 million bank revolving credit facility repayable in April 2013 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 £202.8 million. The Directors are working with their bank and advisors on the renewal of the facility expiry in April 2013 and which has been agreed to extend to July 2013.

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.

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**	**2012 Total £'000**
Bank overdrafts (floating)	**3,275**	**-**	**-**	**3,275**
Debentures (fixed)	**5,000**	**1,700**	**15,000**	**21,700**
Bank loans (floating)*	**44,441**	**70,460**	**-**	**114,901**
Trade and other payables (non-interest)	**12,514**	**-**	**-**	**12,514**
	65,230	**72,160**	**15,000**	**152,390**

	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

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 2012 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 £3,531,000 (2011: £3,089,000) as follows:

	2012 £'000	2011 £'000
Overdrafts	**725**	283
Term facilities expiring in one year	**2,806**	2,806
	3,531	3,089

17. Financial instruments continued

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 (2011: £10.4 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 £26,130,000 deficit (2011: £23,137,000 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 £Nil (2011: £5.0 million) of the 4.76 per cent swap at a cost of £Nil (2011: £0.920 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 15 year interest rate, which was 2.47 per cent at 31 December 2012 against the rate payable under the specific hedge. This has given a liability at 31 December 2012 of £33,935,000 (2011: £30,850,000) 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 2012 to close each of the hedges was £39,423,000 (2011: £37,039,000). 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 £401,000 (2011: £1,280,000). It is not the intention of the Directors to exit the instruments and this cost has not been recognised.

Fair value of financial instruments

Fair value estimation

The Group has 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**	**2012 Gain/(loss) to income statement '000**
Financial assets					
Other financial assets held for trading					
Quoted equities	**20**	**-**	**-**	**20**	**4**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**-**	**-**	**33,935**	**33,935**	**(3,085)**

	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)

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 2012 this decreased to 163.3 per cent (2011: 188.8 per cent) which was calculated as follows:

17. Financial instruments continued

	2012 £'000	2011 £'000
Total debt	**139,590**	140,126
Less cash and cash equivalents	**(8,303)**	(6,464)
Net debt	**131,287**	133,662
Total equity	**80,392**	70,779
	163.3%	188.8%

All the debt, apart from the overdrafts, is at fixed rates of interest as shown in notes 16 and 17. The Group does not have any externally imposed capital requirements.

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

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

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

	2012 £'000	2011 £'000
Cash at bank and in hand	**8,303**	6,464

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

Financial liabilities maturity
Repayment of borrowings

Bank loans and overdrafts:		
Repayable on demand or within one year	**47,666**	48,012
Repayable between two and five years	**70,387**	70,593
	118,053	118,605
Debentures:		
Repayable within one year	**5,000**	-
Repayable between two and five years	**1,700**	6,700
Repayable in more than five years	**14,837**	14,821
	139,590	140,126

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	**3,531**	3,089

Interest rate risk and hedge profile

	2012 £'000	2011 £'000
Fixed rate borrowings	**21,700**	21,700
Floating rate borrowings		
- Subject to interest rate swap	**120,400**	120,400
- Excess hedge	**(5,499)**	(5,263)
	136,601	136,837
Average fixed interest rate	**9.69%**	9.69%
Weighted average swapped interest rate	**6.00%**	6.00%
Weighted average cost of debt on overdrafts, bank loans and debentures	**6.48%**	6.48%
Average period for which borrowing rate is fixed	**6.5 years**	7.5 years
Average period for which borrowing rate is swapped	**14.9 years**	15.9 years
The swapped interest rate have calls by the bank	**1.9 years**	2.9 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:

	2012 Fair value £'000	**2012 Carrying value £'000**	2011 Fair Value £'000	2011 Carrying value £'000
Cash and cash equivalents	**8,303**	**8,303**	6,464	6,464
Financial assets - investments held for trading	**20**	**20**	635	635
Other assets	**4,656**	**4,656**	4,302	4,302
Derivative liabilities	**(33,935)**	**(33,935)**	(30,850)	(30,850)
Bank overdrafts	**(3,275)**	**(3,275)**	(3,717)	(3,717)
Bank loans	**(114,901)**	**(114,778)**	(115,126)	(114,888)
Present value of head leases on properties	**(28,657)**	**(28,657)**	(28,661)	(28,661)
Other liabilities	**(12,514)**	**(12,514)**	(9,453)	(9,453)
Total financial liabilities before debentures	**(180,303)**	**(180,180)**	(176,406)	(176,168)

Fair value of debenture stocks

Fair value of the Group's debenture liabilities:

	2012 Book value £'000	**2012 Fair value £'000**	**2012 Fair value adjustment £'000**	2011 Fair Value adjustment £'000
Debenture stocks	**(21,700)**	**(28,611)**	**(6,911)**	(7,921)
Tax at 23 per cent (2011: 25 per cent)			**1,590**	1,980
Post tax fair value adjustment			**(5,321)**	(5,941)
Post tax fair value adjustment - basic pence per share			**(8.23)p**	(6.79)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 2012 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

	2012 £'000	2011 £'000
Deferred tax (asset)/liability balance at 1 January	**(3,678)**	64
Transfer to consolidated income statement	**354**	(3,742)
Balance at 31 December	**(3,324)**	(3,678)
The deferred tax balance comprises the following:		
Revaluation of investment properties	**4,177**	2,406
Accelerated capital allowances	**1,896**	3,263
Fair value of interest derivatives	**(7,805)**	(7,712)
Short-term timing differences	**1,069**	1,209
	(663)	(834)
Loss relief	**(2,661)**	(2,844)
Deferred tax asset provision at end of period	**(3,324)**	(3,678)

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 2012	Number of ordinary 10p shares 2011	2012 £'000	2011 £'000
Authorised: Ordinary shares of 10p each	**110,000,000**	110,000,000	**11,000**	11,000
Allotted, issued and fully paid	**85,542,711**	85,542,711	**8,554**	8,554
Ordinary shares of 10p – issued during the year	**-**	-	**-**	-
Share capital	**85,542,711**	85,542,711	**8,554**	8,554
Less: held in Treasury (see below)	**(1,538,398)**	(1,538,398)	**(154)**	(154)
"Issued share capital" for reporting purposes	**84,004,313**	84,004,313	**8,400**	8,400

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	
	2012	2011	**2012 £'000**	2011 £'000
Shares held in Treasury at 1 January	**1,538,398**	1,957,534	**1,421**	2,078
Issued to meet directors bonuses (Feb 11 -106.18p)	**-**	(538,203)	**-**	(571)
Issued to meet staff bonuses (Feb 11 -106.18p)	**-**	(57,751)	**-**	(61)
Issued for new share incentive plan (Feb 11 -106.18p)	**-**	(78,885)	**-**	(84)
Purchase of shares (Sep 11)	**-**	295,000	**-**	101
Issued for new share incentive plan (Oct 11 -106.18p)	**-**	(26,400)	**-**	(28)
Issued to meet staff bonuses (Oct 11 -106.18p)	**-**	(12,897)	**-**	(14)
Shares held in Treasury at 31 December	**1,538,398**	1,538,398	**1,421**	1,421

Share Option Schemes

Employees' share option scheme (Approved scheme)
At 31 December 2012 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 2012 is as follows:

		Changes during the year			
	At 1 January 2012	Options Exercised	Options granted	Options lapsed	**At 31 December 2012**
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**

19. Share capital continued

Non-approved Executive Share Option Scheme (Unapproved scheme)

A share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have HMRC approval was set up during 2000. At 31 December 2012 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 2012 is as follows:

Changes during year

	At 1 January 2012	Changes during the year Options Exercised	Options granted	Options lapsed	**At 31 December 2012**
Shares issued to date	450,000	-	-	-	**450,000**
Shares allocated over which options have not yet been granted	550,000	-	-	-	**550,000**
Total shares allocated for issue to employees under the scheme	1,000,000	-	-	-	**1,000,000**

20. Related party transactions

	Cost recharged to/(*by) rel*ated party £'000		**Amounts Owed (to)/by related party £'000**	**Cash advanced to/(by) related party £'000**
Related party:				
Analytical Ventures Limited				
Current Account	61		41	-
Dragon Retail Properties Limited				
Current account	(61)		(61)	(19)
Loan account	-		(3,205)	(2,000)
Langney Shopping Centre Unit Trust				
Current account	90	(ii)	28	-
Bisichi Mining PLC				
Current account	192	(i)	109	-
Directors and key management				
M A Heller and J A Heller	7	(ii)	15	-
H D Goldring (Delmore Asset Management Limited)	(25)	(iii)	-	-
C A Parritt	(17)	(iv)	-	-
Totals at 31 December 2012	**247**		**(3,073)**	**(2,019)**
Totals at 31 December 2011	472		(702)	19

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 £1.2 million deposit is currently interest free. During the year Dragon loaned £2m to the company at an interest rate of 6.875 per cent.

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.

20. Related party transactions continued

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 Sir Michael Heller and J A Heller have an interest. Under an agreement with Sir Michael 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 (2011: £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 £10,000 (2011: £30,000) 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.

Sir Michael Heller is a director of Bisichi Mining PLC, the associated company and received a salary from that company of £75,000 (2011: £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 £883,000 (2011: £1,208,000). 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 28 (2011: 31).

	2012 £'000	2011 £'000
Staff costs during the year were as follows:		
Salaries and other costs	**1,427**	1,713
Social security costs	**181**	220
Pension costs	**338**	350
	1,946	2,283

22. Capital Commitments

	2012 £'000	2011 £'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 (2011: £Nil).

23. Commitments under operating and finance leases

Operating leases on land and buildings
At 31 December 2012 the Group had commitments under non-cancellable operating leases on land and buildings as follows:

	2012 £'000	2011 £'000
Within one year	**600**	390
In the second to fifth years inclusive	**324**	714
	924	1,104

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.

23. Commitments under operating and finance leases continued

Present value of head leases on properties

	Minimum lease payments		**Present value of minimum lease payments**	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'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**	6,770
After five years	**225,472**	227,293	**20,066**	20,070
	234,578	236,399	**28,657**	28,661
Future finance charges on finance leases	**(205,921)**	(207,738)	**-**	-
Present value of finance lease liabilities	**28,657**	28,661	**28,657**	28,661

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:

	2012 £'000	2011 £'000
Within one year	**12,706**	12,369
In the second to fifth years inclusive	**46,628**	44,283
After five years	**66,579**	59,524
	125,913	116,176

24. Contingent Liabilities

There were no contingent liabilities at 31 December 2012 (2011: £Nil), except as disclosed in Note 17.

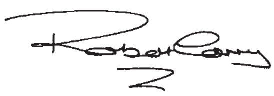
25. Company financial statements

Company balance sheet at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	25.3	**76,972**	85,282
Other investments:			
Associated company	25.4	**489**	489
Subsidiaries and others	25.4	**46,196**	47,371
	25.4	**46,685**	47,860
		123,657	133,142
Current assets			
Debtors	25.5	**24,287**	24,911
Investments	25.6	**20**	635
Bank balances		**6,022**	4,540
		30,329	30,086
Creditors			
Amounts falling due within one year	25.7	**(97,083)**	(89,796)
Net current liabilities		**(66,754)**	(59,710)
Total assets less current liabilities		**56,903**	73,432
Creditors			
Amounts falling due after more than one year	25.8	**(30,985)**	(34,887)
Net assets		**25,918**	38,545
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	**6,853**	12,059
Treasury shares	25.10	**(1,421)**	(1,421)
Retained earnings	25.11	**7,019**	14,440
Shareholders' funds		**25,918**	38,545

These financial statements were approved by the board of directors and authorised for issue on 18 April 2013 and signed on its behalf by:

Sir Michael 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 Group accounting policies on page 34 and in the Finance Director's report and 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 current market rate of interest assuming that this rate is applied for the remainder of the hedge.

Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction e.g. 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 e.g. 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 £6,791,000 (2011: £7,557,000). 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
	Total £'000	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Equipment and motor vehicles £'000
Cost or valuation at 1 January 2012	86,188	62,678	21,670	450	1,390
Additions	37	-	-	-	37
Disposals	(245)	-	-	-	(245)
Impairment	(2,880)	(2,449)	(431)	-	-
Decrease on revaluation	(5,206)	(3,672)	(1,384)	(150)	-
Cost or valuation at 31 December 2012	**77,894**	**56,557**	**19,855**	**300**	**1,182**
Representing assets stated at:					
Valuation	76,712	56,557	19,855	300	-
Cost	1,182	-	-	-	1,182
	77,894	**56,557**	**19,855**	**300**	**1,182**
Depreciation at 1 January 2012	906	-	-	-	906
Charge for the year	188	-	-	-	188
Disposals	(172)	-	-	-	(172)
Depreciation at 31 December 2012	**922**	**-**	**-**	**-**	**922**
Net book value at 1 January 2012	85,282	62,678	21,670	450	484
Net book value at 31 December 2012	**76,972**	**56,557**	**19,855**	**300**	**260**

The freehold and leasehold properties were valued as at 31 December 2012 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.

	2012 £'000	2011 £'000
Allsop LLP	**72,535**	80,765
BNP Paribas Real Estate	**4,177**	4,033
	76,712	84,798

The historical cost of investment properties, including total capitalised interest of £1,222,000 (2011: £1,222,000) was as follows:

	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000
Cost at 1 January 2012	54,620	17,293	785
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2012	**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.

Contracts were exchanged in December 2012 to sell for £6.3million the company property in Chesterfield. The sale is expected to be completed by May 2013.

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 2012	47,860	40,663	3,658	1,052	1,993	489	5
Additions	-	-	-	-	-	-	-
Repayments	(85)	-	-	-	(85)	-	-
Impairment	(1,090)	-	-	-	(1,090)	-	-
At 31 December 2012	**46,685**	**40,663**	**3,658**	**1,052**	**818**	**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

	2012 £'000	2011 £'000
Trade debtors	**903**	851
Amounts due from subsidiary companies	**17,008**	17,431
Amounts due from associate and joint ventures	**164**	402
Deferred tax asset (note 25.9)	**4,644**	4,550
Other debtors	**187**	56
Prepayments and accrued income	**1,381**	1,621
	24,287	24,911

25.6. Investments

	2012 £'000	2011 £'000
Market value of the listed investment portfolio	**20**	635
Unrealised deficit of market value over cost	**(3)**	(499)
Listed investment portfolio at cost	**23**	1,134

All investments are listed on the London Stock Exchange.

25.7. Creditors: Amounts falling due within one year

	2012 £'000	2011 £'000
Bank overdrafts (unsecured)	**3,275**	3,717
Bank loans (secured)	**44,144**	44,069
Bank loans (unsecured)	**247**	226
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**5,000**	-
Amounts owed to subsidiary companies	**35,974**	35,256
Amounts owed to joint ventures	**3,266**	1,144
Other taxation and social security costs	**726**	693
Other creditors	**747**	450
Accruals and deferred income	**3,704**	4,241
	97,083	89,796

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

	2012 £'000	2011 £'000
Interest rate derivatives	**13,988**	12,660
Term Debenture stocks:		
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**-**	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*	**9,837**	9,821
	16,537	21,521
Bank loans:		
Repayable after more than one year	**460**	706
	30,985	34,887

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

Details of terms and security of overdrafts, loans and loan renewal and debentures are set out in note 16.

Repayment of borrowings:		
Bank loans and overdrafts:		
Repayable within one year	**47,666**	48,012
Repayable between two and three years	**460**	706
	48,126	48,718
Debentures:		
Repayable within one year	**5,000**	-
Repayable between three and five years	**1,700**	5,000
Repayable in more than five years	**14,837**	16,521
	69,663	70,239

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 (2011: £10.4 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 £10,771,000 deficit (2011: £9,495,000 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 15 year interest rate, which was 2.47 per cent at 31 December 2012 against the rate payable under the specific hedge. This has given a liability at 31 December 2012 of £13,988,000 (2011: £12,660,000) as shown in the balance sheet. The banks own initial quotation at 31 December 2012 to close each of the hedges was £16,398,000 (2011: £15,416,000).

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 £182,000 (2011: £600,000), 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 £Nil (2011: £5.0 million) of the 4.76 per cent swap at a cost of £Nil (2011: £0.920 million).

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

Fair value of financial instruments

Fair value estimation

The Group has 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	2012 Gain/(loss) to profit and loss account £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	**20**	**-**	**-**	**20**	**4**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**-**	**-**	**13,988**	**13,988**	**(1,328)**

	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)

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	2012 Total £'000
Bank overdrafts (floating)	**3,275**	**-**	**-**	**3,275**
Debentures (fixed)	**5,000**	**1,700**	**15,000**	**21,700**
Bank loans (floating)*	**44,441**	**460**	**-**	**44,901**
Trade and other payables (non-interest)	**44,416**	**-**	**-**	**44,416**
	97,132	**2,160**	**15,000**	**114,292**

	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

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.

Total financial assets and liabilities

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

	2012 Fair value £'000	2012 Carrying value £'000	2011 Fair value £'000	2011 Carrying value £'000
Cash and cash equivalents	**6,022**	**6,022**	4,540	4,540
Investments	**20**	**20**	635	635
Other assets	**24,287**	**24,287**	24,911	24,911
Bank overdrafts	**(3,275)**	**(3,275)**	(3,717)	(3,717)
Bank loans	**(44,441)**	**(44,395)**	(45,126)	(45,001)
Derivative liabilities	**(13,988)**	**(13,988)**	(12,660)	(12,660)
Other liabilities	**(44,416)**	**(44,416)**	(41,784)	(41,784)
Before debentures	**(75,791)**	**(75,745)**	(73,201)	(73,076)

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

25.9. Provisions for liabilities and charges

	2012 £'000	2011 £'000
Deferred Taxation		
Balance at 1 January	**(4,550)**	(2,657)
Transfer to profit and loss account	**(94)**	(1,893)
Balance at 31 December	**(4,644)**	(4,550)

No provision has been made for the approximate taxation asset at 23 per cent (2011: 25 per cent) of £51,000 (liability 2011: £545,000) which would arise if the investment properties were sold at the stated valuation.

The deferred tax balance comprises the following:

	2012	2011
Accelerated capital allowances	**1,044**	1,140
Fair value of interest derivatives	**(3,217)**	(3,165)
Short-term timing differences	**156**	170
Losses	**(2,627)**	(2,695)
Provision at end of period	**(4,644)**	(4,550)

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 2012	4,866	47	12,059	14,440	31,412
Decrease on valuation of investment properties	-	-	(5,206)	-	(5,206)
Retained loss for year	-	-	-	(6,791)	(6,791)
Dividends paid in year	-	-	-	(630)	(630)
Balance at 31 December 2012	**4,866**	**47**	**6,853**	**7,019**	**18,785**

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

	2012 £'000	2011 £'000
Commitments to capital expenditure contracted for at the year end	**-**	-

25.14. Commitments under operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2012 £'000	2011 £'000
Expiring in less than one year	**210**	-
Expiring in more than one year but less than five years	**390**	390
	600	390

In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amount to £354,000 (2011: £354,000).

25.15. Contingent liabilities

There were no contingent liabilities at 31 December 2012 (2011: £Nil), except as disclosed in Note 25.8.

Five year financial summary

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Portfolio size					
Investment properties-Group^	**205**	194	195	214	219
Investment properties-joint ventures	**27**	29	13	13	13
Investment properties-associate	**12**	12	12	12	12
	244	235	220	239	244
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**-**	-	-	-	9.18
Disposals	**-**	(0.60)	(20.74)	(17.79)	(15.33)
Capital Expenditure	**0.97**	0.42	0.49	3.46	9.73
	0.97	(0.18)	(20.25)	(14.33)	3.58
Consolidated income statement	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures	**15.80**	16.99	16.50	17.07	16.77
Less: attributable to joint venture partners	**(0.63)**	(0.61)	(0.52)	(0.52)	(0.27)
Group rental income	**15.17**	16.38	15.98	16.55	16.50
Profit/(loss) before interest and tax	**18.93**	10.89	11.97	20.49	(24.91)
Profit/(loss) before tax	**7.62**	(18.56)	(10.69)	21.41	(57.27)
Taxation	**(0.35)**	3.74	7.19	(2.36)	9.81
Profit/(loss) attributable to shareholders	**7.27**	(14.82)	(3.50)	19.05	(47.46)
Earnings/(loss) per share - basic	**8.65p**	(17.63)p	(4.24)p	24.32p	(62.30)p
Earnings/(loss) per share - fully diluted	**8.65p**	(17.63)p	(4.24)p	24.32p	(62.30)p
Dividend per share	**-**	0.75p	1.15p	1.15p	1.15p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders' funds	**46.46**	39.93	55.76	59.10	40.30
Net borrowings	**131.27**	133.03	130.77	145.65	157.17
Net assets per share - basic	**55.30p**	47.53p	66.71p	74.22p	52.73p
- fully diluted	**55.29p**	47.53p	66.69p	74.19p	52.70p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Cash generated from operations	**12.72**	10.89	9.58	12.18	12.02
Capital investment and financial investment	**(0.87)**	(0.50)	20.42	13.94	(6.09)

Note: ^Excluding the present value of head leases

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