London & Associated Properties PLC

report and accounts 2013

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financial highlights

Fully diluted net assets per share

59p 2012: 55.29p

IFRS net assets

£49.7m 2012: £46.5m

Diluted EPRA net asset value per share

64.8p 2012: 80.3p

Portfolio valuation*

£238m 2012: £244m

*Including properties under management

financial calendar

First interim management statement
Friday 16 May 2014

Annual General Meeting
Tuesday 10 June 2014

Announcement of half year results to 30 June 2014
Late August 2014

Second interim management statement
Monday 17 November 2014

Announcement of annual results for 2014
Late April 2015

Front cover: Orchard Square, Sheffield

overview

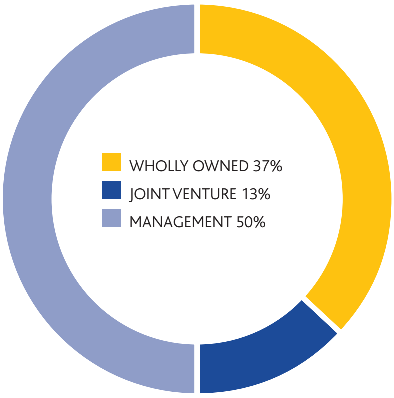
London & Associated Properties PLC are a fully listed UK shopping centre and Central London retail property specialist who own and manage £238m of retail investments.

Looking to create environments where retailers can thrive.

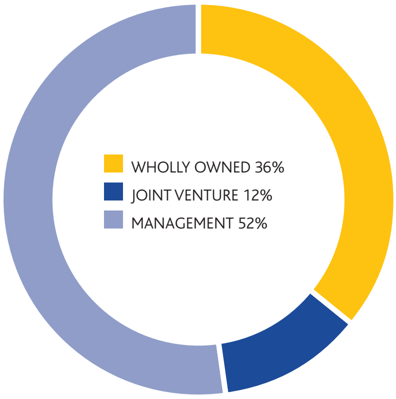
THE RUSHES
LOUGHBOROUGH

LAP at a glance

Overall portfolio split



Portfolio by rental income



WHOLLY OWNED

Key projects

Orchard Square, Sheffield,
Market Row, Brixton
King Square, West Bromwich

Highlight

Sale of **King Edward Court** shopping centre for £108m (completed January 2014)

JOINT VENTURES AND INVESTMENTS

Key projects

Kingsgate Centre, Dunfermline
The Rushes Shopping centre, Loughborough
The Vancouver Quarter centre, Kings Lynn
Langney, Eastbourne

Highlights

Appointed by **Oaktree Capital Management** to co-invest in and manage three of their shopping centres

Planning permission has been granted for the redevelopment of **Langney shopping centre** in Eastbourne

Sold **Halifax** for £8m successfully concluding the joint venture with Lloyds Banking Group

MANAGEMENT

Key projects

Agora Portfolio on behalf of Lloyds Banking Group
Ealing portfolio on behalf of NAMA

Highlights

Agora - All assets now successfully disposed of at levels ahead of expectation

Ealing - This final asset was sold significantly ahead of bank value

King Edward Court
Windsor

The Vancouver Quarter centre
Kings Lynn

Langney Centre
Eastbourne

chairman and chief executive's statement

I am pleased to report on a year of progress at LAP. The most significant event of 2013 was the successful disposal of King Edward Court in Windsor for £105 million. This brought the total proceeds from this centre to £108 million, since an additional unit let to Superdry, was sold for £3.175 million in July 2013.

The disposal marks the end of our successful ownership of King Edward Court. Shareholders will recall that we acquired it in 2002 for £45 million as the first investment in our joint venture with Bank of Scotland (now Lloyds Banking Group). Between 2005-07 we redeveloped some 250,000 sq. ft. of Grade A retail space to meet retailer demand. This scheme cost c.£25 million and included a new Waitrose supermarket plus shops for Zara, H&M, Top Shop and New Look, as well as a Travelodge hotel. The development established Windsor as a significant comparison shopping town, and led to continuous rental growth even during the most difficult years of the recession.

We felt that the time was right to make this disposal. Strong investor demand for quality shopping centres reinforced our opinion, and we considered that further growth would only be achievable through significant development of one end of the scheme.

The proceeds of the sale have been used to pay off the associated loan from Lloyds Bank of £70 million. In addition, we terminated the swap used to hedge this loan at a further cost of £14.6 million.

During 2013 we also received £8.1 million from the sale of the Halifax property we owned jointly with Lloyds Bank, as this joint venture had reached the end of its life. During our ownership, we maintained full occupancy and re-geared the leases to both Tesco, the anchor retail tenant, and Calderdale Borough Council, the principal tenant of the upper parts. Cash proceeds were used to pay down the loan secured against the property, and surplus funds of £0.6 million were added to our cash reserves.

Following these disposals LAP is in a stronger financial position for the future. We believe that there will be a number of interesting opportunities for your Company to invest directly and to co-invest with third parties across the entire retail sector. We are well placed to take advantage of those opportunities as they arise. Bank finance is improving from the low points of the last few years but it is still patchy. Consequently a strong balance sheet remains an important advantage going forward.

These transactions have strengthened our balance sheet and have enabled us to negotiate better terms with the Royal Bank of Scotland (RBS), but we shall only renew this line of credit for a short period. Your Board is in detailed negotiations with different lenders to totally replace the RBS facilities. We have a number of offers of finance which we are considering. All the offers received are on significantly better terms than those previously on offer from RBS.

Profit before tax under IFRS was £1.1 million compared to £7.6 million in the previous year. However, if the impact of the discontinued operations is excluded, the result was a profit of £1.6 million as compared to a loss £5.9 million last year. Currently our underlying performance remains strong and we are anticipating a reduction in future interest costs as the derivatives are terminated and revised facilities are put in place.

Total assets under management are £277 million. Net assets are £54.6 million under EPRA.

London & Associated Management Services Ltd (LAMS)

We have always managed properties for joint ventures and associates and in 2010 we took the opportunity to grow this aspect of our business.

London & Associated Management Services Ltd (LAMS) was formed to provide asset management services for institutional type investors. In that year Lloyds Bank appointed us to assist with the asset management of a portfolio of shopping centres. We improved net operating income through intensive asset management over a relatively short period of time, and this enabled us to successfully dispose of the centres on improved terms on the Bank's behalf.

LAMS has expanded its workload considerably on behalf of the Banks and other financial institutions. In 2013 we successfully completed the disposal of two portfolios of shopping centres and other retail property on behalf of Lloyds Bank and NAMA (National Asset Management Agency, the Republic of Ireland's state-controlled "bad bank"). Once again, we enhanced the net operating income and upgraded the future cash flow profiles of the Centres to ensure maximum proceeds for the lenders. LAMS received fees of £620k for these projects.

Our reputation for providing a full asset and property management service is gaining traction in the retail property market. As well as bank work-out mandates, we have been chosen by Oaktree Capital Management as a joint venture partner to provide asset and property management services. In December 2013 the joint venture acquired a portfolio of three shopping centres: the Vancouver Quarter centre in Kings Lynn, the Rushes in Loughborough and the Kingsgate shopping centre in Dunfermline, Scotland. LAP's investment in this joint venture is £2.2 million.

All three centres have suffered from a lack of investment due to the cash constraints of the previous owners, but fundamentally they are of good quality and in strong retail locations. We gained management control of these centres in January of this year and we have already placed a number of vacant units under offer. We are confident that we will add significant value to these centres during the life of the joint venture, and I look forward to updating shareholders on progress in the future.

We report on our major centres as follows.

Orchard Square, Sheffield

Trading at Orchard Square remains strong. Three leases expired during 2013 and all three tenants have served notice requesting new leases. Two of these tenants, Waterstones and Clarks shoes, have now agreed new leases, and they both show that rental income levels have remained close to the peaks achieved during the last 10 years. We are close to finalising the third lease renewal.

We reported last year that Republic, our tenant in one of the front units on Fargate, had gone into administration, but was acquired by Sports Direct and converted into a USC. Sports Direct have met with varied success with this business and as a consequence, they have decided to close a significant number of their larger stores, including this one.

The marketing of this unit has met with exceptionally strong interest from a wide variety of national retailers. Currently we are exploring our options which include letting the unit as a whole or splitting it into various smaller units. We have offers from retailers on much of the space, and we will make a separate announcement once negotiations have been concluded. USC was paying a rent of £200,000 per annum, and we are confident that we will exceed this figure.

Brixton Market

Our two indoor markets in Brixton continue to see strong demand for space which far exceeds supply. Currently there is a waiting list of 160 traders and this continues to drive rental growth. The Mayor of London is very keen to promote London Village sites and the success of Brixton has been used as a partial justification for this policy.

Orchard Square
Sheffield

Brixton Market
Brixton

Kings Square
West Bromwich

Langney Shopping Centre
Eastbourne

West Bromwich

The opening of the new Sandwell College with 12,000 students at the rear of King's Square has increased footfall through the centre and it is trading well. Metro Plaza, the Local Authority's redevelopment of the pedestrian walkway from the Metro station and the college to the rear entrance of our centre, is well advanced and upon completion should further boost footfall. A new Tesco store and other units in a new development on the opposite side of the High Street are now open and trading, and they have brought significantly more shoppers into West Bromwich town centre. A very high proportion of shoppers in West Bromwich arrive by public transport and with the main bus station at the side of our centre, and the Metro station at the rear, shoppers dependent upon public transport have to pass through our centre to get to all parts of the town centre.

Langney

Following a difficult year, during which the centre was closed due to the collapsing of the atrium roof in heavy rain, we are pleased to report that all repairs have been carried out. The centre reopened in the summer andis trading well. The costs of the repairs are being covered by insurance. During the year we obtained planning consent to extend the centre. Occupier interest is strong and we expect to agree a number of pre-lets in the near future. We will report on this further as matters progress.

KINGSGATE CENTRE
DUNFERMLINE

Other swaps

Having terminated the £70 million swap used to hedge the loan on Windsor, the company had a further £50.4 million of outstanding swaps. The directors have taken the decision to terminate these swaps as well, and at the time of writing there is just £20 million of notional swap remaining. This, too, will be terminated in the near future. Consequently, the company will be able to take advantage of the current low interest rates going forward.

Bisichi Mining PLC

Bisichi Mining PLC ("Bisichi") had a strong first half of the year, although they had a more challenging second half. They had an EBITDA of £3 million (2012: £4.6 million) and their property values remained resilient for the full year. Greater detail about the full year of Bisichi's trading can be found in the accounts of the company at www.bisichi.co.uk.

Dividends

Following the successful re-gearing of our balance sheet and the stronger cash flows that we anticipate achieving in the coming years, the Board have resolved to pay dividends in the future. For 2013 your directors are recommending a modest final dividend of 0.125p per share payable on 4 July 2014 to shareholders registered at the close of business on 6 June 2014. We hope and expect that dividends will grow in the future as the business makes further tangible progress.

We would, as always, like to thank the directors, staff and advisors, but this year we would like to make special mention of Mike Dignan, our director of property, who has announced he will be retiring in June this year. Mike joined LAP (or London & Associated Investment Trust as we were then called) in 1984, and has worked closely with the Board over the last 30 years. His wise counsel has always been appreciated and we wish him well for a long and happy retirement.

Michael Heller

John Heller.

Sir Michael Heller,
Chairman

John Heller,
Chief Executive

17 April 2014

strategic report

finance director's review

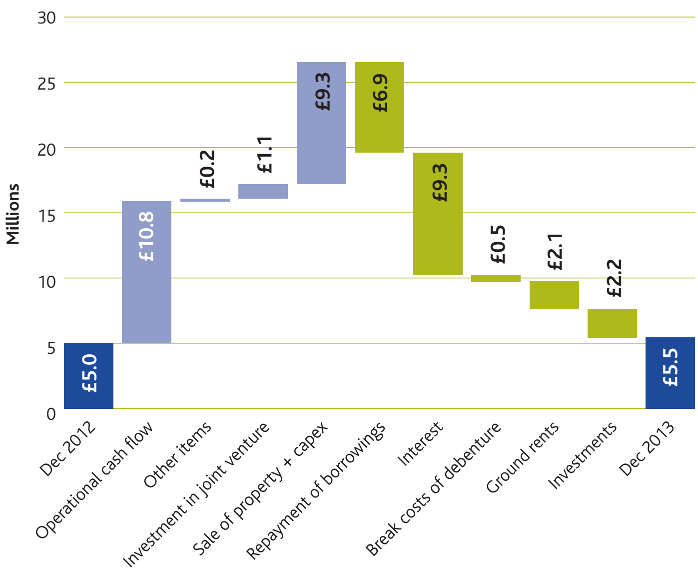
2013 has been a year of significant change for the Group with the sale of the property in Windsor, which was completed in January 2014. To enable shareholders to gain a proper reflection of the business going forward, the impact of this and related transactions have been shown separately as a discontinued operation.

As a result of the sale our gearing has been reduced substantially and we now have a strong Balance Sheet going forward which augurs well for the future of the business.

Cash flow

With the sale of Windsor at the year end, gearing is now 94.1%, down from 180.9% in 2012.

As part of the future financing strategy the Board decided to unwind the long dated swaps and all have now been terminated, apart from a notional £20 million at a rate of 4.685%. This means that the group is able to take advantage of the low interest rates and for 2014, our interest charge (assuming rates remain unchanged) should show a reduction of more than £7 million. This will give the group a stronger cash flow going forward. Once we have terminated the long dated swaps and replaced the £44 million term loan from RBS with a better priced alternative we intend to put in place appropriate hedging to cover the position on that specific loan to ensure that we are protected against future interest rate rises.



During the year a debenture of £5 million matured, which was repaid. We also took the opportunity to repay a further debenture of £1.7 million, due to mature in 2016 and rescheduled the 2018 debenture so that it now has £1 million maturing in 2016, £1 million in 2017 and the balance of £3 million in 2018 at no extra cost to the company. The remaining £10 million 2022 debenture remains unchanged. This will generate an annual saving of over £0.7 million per annum.

In the second half of the year we invested £2.2 million into a venture with Oaktree Capital Management, an American Fund management business. This venture purchased three shopping centres. London & Associated Management Services Limited (LAMS) has been awarded the contract to manage these properties, and this will make a sizeable contribution to Group management income in this area which we see developing substantially in the coming years.

We are looking to make similar investments as we develop the broad base of the business.

Income statement

This statement has been adjusted so that the discontinued operations are shown separately from the ongoing business enabling shareholders to better understand the current trading position. Group property income on a like for like basis has increased by £0.2 million.

Our mix of income continues to change as the importance of our management business (working for joint ventures and third parties) increases in relation to income earned from our directly owned properties. This is a positive trend since it helps to reduce the risk to capital and the volatility of net income.

The result, including revaluations and other movements, showed a profit of £1.6 million (2012: loss £5.9 million). Much of this variation was attributable to the volatility of derivative valuations which along with the related interest cost will not recur in future years.

We also continue to monitor our overheads and reduce them wherever we can. The office relocation we made in 2012 will be showing its full effect on the results in year 2014 and going forward.

The tax credit for the year relates entirely to movement in the deferred tax.

The Rushes Shopping Centre
Loughborough

Balance sheet

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

2013	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	92,046			(4,597)	**87,449**
Other fixed assets	2,403				**2,403**
Investments in associate and joint ventures	9,593				**9,593**
Other assets	9,030	(2,785)	(1,914)		**4,331**
Assets held for sale	15,067				**15,067**
Other liabilities	(24,421)		9,569	4,597	**(10,255)**
Net debt	(53,984)				**(53,984)**
Net assets	49,734	(2,785)	7,655	-	**54,604**
Adjusted NAV per share					**64.8p**
2012					
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)	(7,805)		(2,469)
Other liabilities	(75,106)		33,935	28,657	(12,514)
Net debt	(131,287)				(131,287)
Net assets	46,457	(2,664)	26,130	-	69,923
Adjusted NAV per share					80.3p

Group net assets under IFRS were £49.7 million (2012: £46.5 million), but the more meaningful EPRA figure shows net assets of £54.6 million (2012: £69.9 million). The reduction is due to the board's decision to terminate the long term swaps. However this will improve the income position in future years.

Accounting judgements 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 all of which are stated at fair value. The basis of the valuation for the interest rate derivatives has been revised in the year (see accounting policies) because the Board has decided to terminate them rather than hold them for the long term. For that reason they are now valued at their termination value as compared to the net present value of the estimated extra costs which would arise to maturity if current market interest rates stayed the same until then. The Group uses external professional valuers to determine the values of our properties.

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 with RBS in relation to the short term renewal of the £44.2 million term bank facility. While these negotiations are on-going the existing facility has been allowed to continue. The documentation is being finalised and should be signed shortly. Negotiations are also in progress for a new long term facility which will replace the RBS loan and give the group long term security on better terms.

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

In view of the improving strength of the company, the Directors are proposing a final dividend of 0.125 pence per share payable in July 2014.

Our associated company Bisichi Mining PLC, in which we hold a 42% stake, had a strong year. Bisichi had an EBITDA of £3 million for 2013 (2012: £4.6 million). There was a revaluation deficit under IFRS of £53,000 (2012: £456,000).

I am confident that the continued policy of managing the Group's cash resources prudently will benefit us as we continue to move forward.

Robert Corry,
Finance Director

17 April 2014

portfolio overview

Brixton Village and Market Row

- Critically acclaimed as a Top 10 value location for eating in UK – Guardian (Life and Style) January 2014
- Colourful and eclectic
- Over 160 traders on waiting list
- Brixton Village Market has become the destination for budget eating in South London
  Time Out

National Association of British Market Authorities (NABMA) awarded their 'Best Private Market' accolade to Brixton Village and Market Row in 2013

I'm becoming increasingly convinced that Brixton Village is the most exciting, radical venture on the British restaurant scene right now

Jay Raynor, The Observer

principal activity, strategy & business model

The Group's principal business model is the investment in and management of town centre retail property through direct investment and joint ventures, where we manage the property ourselves and on behalf of our partners. The main strategic priorities are:

- **Maximising income**
- **Creating quality property**
- **Capital strength**

OUR KEY STRENGTHS ARE	OUR STRATEGY IS
Maximising income	By achieving an appropriate tenant mix and shopping experience we can increase footfall through the centres, hence tenant demand for space and an enhanced income.
Creating quality property	We look to improve the consumer experience at all our centres by achieving an appropriate tenant mix and a vibrant trading environment through investment activity, enhancement, refurbishment and development.
Capital strength	We operate within a prudent and flexible financial structure. Our gearing, which has been substantially reduced, provides financial stability whilst giving capacity and flexibility to look for further investments.

The Vancouver Quarter centre
Kings Lynn

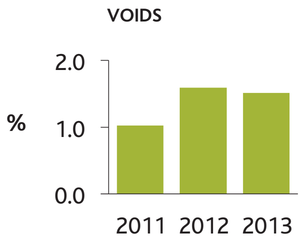
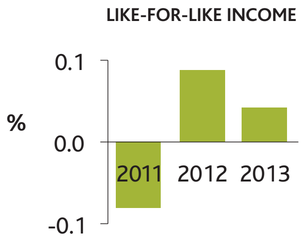
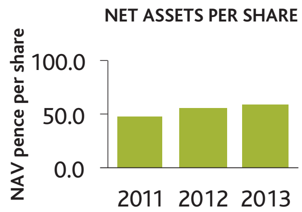
Langney centre
Eastbourne

risk and uncertainties

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.	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.

key performance indicators

The Group's Key Performance Indicators are selected to ensure clear alignment between its strategy, and shareholder interests. The KPIs are calculated using data from management reporting systems.

Strategic priority	KPI	Performance	
Maximising income - occupancy			
We aim to maximise the total income in our properties by achieving full occupancy.	The ERV of the empty units as a percentage of our total income.	Void levels have remained very low in a difficult trading environment.	
Maximising income – like for like property income			
To increase the like-for-like income from the property year on year.	Like-for-like rental income as a percentage of the prior year rental.	After a small fall in 2011 the like-for-like rental income has continued to grow.	
Capital Strength – growth in net asset value per share			
The net assets per share is the principal measure used by the group for monitoring its performance and is an indicator of the level of reserves available for distribution by way of dividend.	Increase in the net assets per share.	The net assets per share grew by 3.71 pence per share or 6.7%.	

KINGSGATE CENTRE
DUNFERMLINE

The Rushes Shopping Centre
Loughborough

- Open air centre consisting of 15 units
- c 235,000 sq ft
- Anchored by Tesco
- Other tenants include Next, M&S Food, Sports Direct and Argos
- Includes a 440 space car park currently let to NCP

Vancouver Quarter
Kings Lynn

- Open air centre consisting of 60 units
- c 385,000 sq ft
- Anchored by Sainsbury's
- Other tenants include Superdrug, Iceland, Poundland and Wilkinsons
- Includes the towns principal car park providing 440 spaces, currently let to APCOA

Kingsgate Shopping Centre
Dunfermline

- Covered centre consisting of 77 units
- c 310,000 sq ft
- Anchored by Debenhams
- Other tenants include River Island, Topshop, New Look and H&M
- Includes the towns principal car park providing 711 spaces, currently let to APCOA

corporate responsibility

Greenhouse gas reporting

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations for the reporting period 1st January 2013 to 31st December 2013.

We have employed the Financial Control definition to outline our carbon footprint boundary. Included within that boundary are Scope 1 & 2 emissions from the landlord & tenant controlled areas of shopping centres and facilities that we own. These include King Edward Court, Orchard Square, Brewery Street, Brixton Market, Shipley, Bridgend and Kings Square.

Excluded from our footprint boundary are properties that we manage on behalf of others or not wholly owned by LAP (including The Halifax Shopping Centre which is a 50/50 Joint Venture with Lloyds); and emissions considered non material by the business.

We have reported on emissions from Scope 1 & 2 emissions sources only. We have not measured and reported on our Scope 3 emissions sources. Emissions for landlord controlled areas have been calculated based on actual consumption information collected from each shopping centre. Emissions from tenant controlled areas is calculated based on floor area and energy consumption benchmarks for general retail services in the UK.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and guidance provided by UK's Department of Environment and Rural Affairs (DEFRA) on voluntary and mandatory carbon reporting. Emission factors were used from UK Government's GHG Conversion Factors for Company Reporting 2013.

2013

Table1. Emissions from landlord & tenant controlled areas

	Emissions Source	Amount	Unit	CO_2e (Tonnes)
Scope 1	Natural gas	2,107,320	kwh	939
	Refrigerants	5	kg	9
Scope 2	Electricity	12,209,160	kWh	5,117
Total tCO_2e				**6,065**

Table 2. Emissions from tenant controlled areas

	Emissions Source	Amount	Unit	CO_2e (Tonnes)
Scope 1	Natural gas	0	kwh	0
	Refrigerants	0	kg	0
Scope 2	Electricity	10,976,252	kWh	4,890
Total tCO_2e				**4,890**

Table 3. Emission from landlord controlled areas

	Emissions Source	Amount	Unit	CO_2e (Tonnes)
Scope 1	Natural gas	2,107,320	kwh	939
	Refrigerants	5	kg	9
Scope 2	Electricity	1,232,908	kWh	227
Total				**1,175**
Intensity 1	Tonnes of CO_2e per £ revenue 2013 for landlord controlled areas only			0.000074

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. Where 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.

Employee, social, community and human rights

The Group's principal UK activity 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.

Director, employees and gender representation

At the year end the company had 6 directors (6 male, 0 female), 5 senior managers (4 male, 1 female) and 19 employees (8 male, 11 female).

Approved on behalf of the board of directors

Robert Corry,
Finance Director

17 April 2014

governance

directors & advisors

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, he is a global asset allocation specialist and has over 30 years experience in the real estate market. 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 Jupiter 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.

Robin Priest
Robin Priest joined the board on 31 July 2013. He is a Managing Director of Alvarez & Marsal Real Estate Advisory Services LLP (A&M) and has more than 30 years of experience in real estate and structured finance. He advises private sector and public sector clients on both operational and financial real estate matters. Prior to joining A&M, Robin Priest was lead partner for Real Estate Corporate Finance in London with Deloitte LLP. He is a member of the investment committee of a European real estate fund. He is also a trustee of London's Oval House Theatre.

* Member of the nomination committee

Senior independent director

† Member of the audit, remuneration and nomination committees

SECRETARY & REGISTERED OFFICE

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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

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Shareholder Services
The Registry
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(Calls cost 10p per minute + network extras, lines are open Mon-Fri 9.00am to 5.30pm) or +44 208 639 3399 for overseas callers.

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directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 2013.

Strategic report

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 are included in the Chairman and Chief Executive's Statement and the Strategic Report. These reports can be found on pages 4 to 20 and should be read in conjunction with this report.

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 (Bisichi) in which the company holds a 42 per cent interest. Bisichi 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

A review of the Group's development and performance can be found below and should be read in conjunction with the Strategic Report on pages 10 to 20.

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 18 on page 62 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 48.
- **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.

Dividend policy

The directors are recommending payment of a final dividend for 2013 of 0.125p per share (2012 nil).

Subject to shareholder approval, the total dividend per ordinary share for 2013 will be 0.125p per ordinary share.

The final dividend will be payable on Friday 4 July 2014 to shareholders registered at the close of business on 6 June 2014.

The company's ordinary shares held in treasury

At 31 December 2013, 1,254,738 (2012: 1,538,398) ordinary shares were held in Treasury with a market value of £552,084 (2012: £338,447). At the Annual General Meeting (AGM) in June 2013 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 2014.

Movements in Treasury shares during the year:	Number of shares
Treasury shares held at 1 January 2013	1,538,398
Issued re directors bonuses (130,852 shares at 22p)	(130,852)
Issued re staff bonuses (128,026 shares at 22p)	(128,026)
Issued re Share Incentive Plan (Directors 4,673 shares at 21.75p)	(4,673)
Issued re Share Inventive Plan (Staff 20,109 shares at 21.75p)	(20,109)
Treasury shares held at 31 December 2013	1,254,738

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.

Following the year-end, 391,503 shares were 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 58.25p on 27 February 2014.

Investment properties

The freehold and long leasehold properties of the Company and its subsidiaries were revalued as at 31 December 2013 by external professional firms of chartered surveyors - Allsop LLP, London (44.13 per cent of the portfolio), Woolhouse Real Estate (0.78 per cent), and by the Directors (55.09 per cent). The valuations, which are reflected in the financial statements, amount to £190.1 million (2012: £205.4 million). This is split between continuing operations (£87.4 million) and assets held for sale (£102.7 million).

Taking account of prevailing market conditions, the valuation of Group properties at 31 December 2013 resulted in a decrease of £5.8 million (2012: increase of £10.7 million). This is split between continuing operations (£0.5 million) and discontinued operations (£5.3 million). This has been reflected in the income statement in accordance with the requirements of IFRS. The impact of property revaluations on the Company's joint ventures (Analytical Ventures Limited, Dragon Retail Properties Limited and Langney Shopping Centre Unit Trust) and the associate company (Bisichi Mining PLC) was a reduction of £0.5 million (2012: reduction of £2.5 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 18 to the financial statements sets out the risks in respect of financial instruments. The board reviews and agrees overall treasury policies, delegating appropriate authority for applying these policies to the Chief Executive and Finance Director. Financial instruments are used to manage the financial risks facing the Group and 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. Where appropriate hedging arrangements are covered in the Chairman and Chief Executive's Statement and the Finance Director's Review.

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 2013. Robin Priest was appointed to the board on 31 July 2013 and will offer himself for election at the Annual General Meeting in 2014. His details are as follows: Robin Priest is a Managing Director of Alvarez & Marsal Real Estate Advisory Services LLP (A&M) and has more than 30 years of experience in real estate and structured finance. He advises private sector and public sector clients on both operational and financial real estate matters. Prior to joining A&M, Robin Priest was lead partner for Real Estate Corporate Finance in London with Deloitte LLP. Robin Priest has a contract of service with the Company determinable upon three months notice. The board has considered the appointment of Robin Priest and recommends his election as Director. His knowledge of structured finance and experience of dealing with challenging and complex assets and portfolios is 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 can be found on page 32 of the Annual Remuneration Report.

Substantial shareholdings

At 31 December 2013 Sir Michael Heller and his family had an interest in 47.6 million shares of the Company, representing 56.5 per cent. of the issued share capital net of treasury shares (2012: 47.5 million shares representing 56.6 per cent.). Cavendish Asset Management Limited had an interest in 7,717,314 shares representing 9.16 per cent. of the issued share capital of the Company (2012: 6,985,120 shares representing 8.32 per cent.). James Hyslop had an interest in 3,856,258 shares representing 4.58 per cent. of the issued share capital of the Company (2012: 3,336,258 shares representing 3.97 per cent.). The Company do not consider that the Heller family have a controlling share interest irrespective of the number of shares held as no individual party holds a majority and there is no legal obligation for shareholders to act in concert. Therefore the directors deem no party to have control.

The Company is not aware of any other holdings exceeding 3 per cent. of the issued share capital. Following the year-end and at the date of this report Sir Michael Heller and his family's interest increased to 47.9 million shares of the Company representing 56.6 per cent. of the issued share capital net of treasury shares.

Takeover directive

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

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

The rights of the ordinary shares to which the HMRC approved Share Incentive Plan relates, 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 10).

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 2013 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.

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.

Donations

No political donations were made during the year (2012: £Nil). Donations for charitable purposes amounted to £2,548 (2012: £3,200).

Greenhouse Gas Reporting

Details of the Company's Greenhouse Gas Reporting for the year ended 31 December 2013 can be found on page 20 of the Strategic Report

Going concern

The directors have reviewed the cash flow forecasts of the Group and the underlying assumptions on which they are based. They have also considered carefully the position in relation to renewal of the Group banking facilities. The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman's and Chief Executive's Statement and Finance Director's Review. In addition note 18 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 which expired originally in September 2012. While these negotiations have been ongoing the existing facility was extended firstly to 2 July 2013 and subsequently it has been allowed to continue while the documentation for a new short term facility is finalised. The negotiations have been protracted because the Board felt that the terms offered initially could be improved, even allowing for the fact that the facility sought is only for the short term. The Board is seeking longer term funding from a new lender, as this will be in the best interests of the Group. Negotiations for a new long term facility are well advanced and we have received outline offers on good terms from over 10 financial institutions.

Following the sale of Windsor for £105 million in January 2014, we have paid off the £70 million loan related to that property and we have terminated the related interest rate swap at a cost of £14.6 million. The balance of these proceeds is available to the Group. As a result the gearing of the Group has improved substantially (details of this are given in Note 18) and further improved our negotiating position for short and longer term facilities. This cash could, of course, be used to reduce borrowings but the directors prefer to use it to further develop the business.

In the circumstances the directors are confident that the short term facility and a longer term replacement will be in place shortly. Should new funding not be available, there is more than adequate security to cover the outstanding loan, net of transaction costs.

With sound financial resources and long term leases in place and taking account of the outline funding offers received, the Directors do not believe that current negotiations represent material uncertainties and they are satisfied that the Group is well placed to manage its business risks despite the current uncertain economic outlook. Accordingly the Group has adequate resources to continue in operational existence for the foreseeable future. Thus we 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 24 Bruton Place, London W1J 6NE on Tuesday 10 June 2014 at 10.30 a.m. Items 1 to 8 will be proposed as ordinary resolutions. More than 50 per cent. of shareholders' votes must be in favour for those resolutions to be passed. Items 9 to 11 will be proposed as special resolutions. At least 75 per cent. of shareholders' votes must be in favour for those 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

Resolution 8 - Authority to allot securities

Paragraph 8.1.1 of Resolution 8 would give the Directors the authority to allot shares in the company and grant rights to subscribe for or convert any security into shares in the company up to an aggregate nominal value of £2,822,649. This represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) as at 15 April 2014 (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 8.1.2 of Resolution 8 would give the directors the authority to allot shares in the company and grant rights to subscribe for or convert any security into shares in the company up to a further aggregate nominal value of £2,822,649, 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 2014 (being the last practicable date prior to the publication of this Directors' Report).

The directors' authority will expire on 31 August 2015 or if earlier the next AGM. 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 9 - 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 2015, 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 £423,397 representing in accordance with institutional investor guidelines, approximately 5 per cent. of the total ordinary share capital in issue as at 15 April 2014 (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. The directors' authority will expire on on 31 August 2015 or if earlier the next AGM.

Resolution 10 - Purchase of own ordinary shares
The effect of Resolution 10 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 8,467,947 ordinary shares (representing approximately 10 per cent. of the company's issued share capital as at 15 April 2014 (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 10 will expire at the conclusion of the company's next annual general meeting to be held in 2015 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.

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

17 April 2014
24 Bruton Place
London
W1J 6NE

corporate governance

Corporate governance

The company has adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) published by the Quoted Companies Alliance. The QCA Code provides governance guidance to small and mid-size quoted companies. The paragraphs below set out how the company has applied this guidance during the year. The company has complied with the QCA Code throughout the year.

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 three non-executive Directors. Their details appear on page 22. 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 39. 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 one other non-executive Director 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 two non-executive directors and it is chaired by C A Parritt. The executive Chairman of the board is normally invited to attend. The Annual Remuneration Report is set out on pages 30 to 33.

The audit committee comprises two non-executive Directors and is chaired by C A Parritt. The audit committee report is set out on page 38.

Board and board committee meetings held in 2013

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	11
	Audit committee	2	2
	Nomination committee	2	2
	Remuneration committee	5	5
Sir Michael Heller	Board	11	11
	Nomination committee	2	2
	Remuneration committee	5	5
J A Heller	Board	11	11
	Audit committee	2	2
C A Parritt	Board	11	11
	Audit committee	2	2
	Nomination committee	2	2
	Remuneration committee	5	5
R Priest*	Board	4	3

*From date of appointment on 31 July 2013

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 Directors are H D Goldring and R Priest. 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. Alvarez and Marsal Real Estate Advisory Services (A&M) is a company in which R Priest is a Managing Director. A&M provides consultancy and advisory services the company on a fee paying basis.

The board encourages all three non-executive directors to act independently and does not consider that length of service of any individual non-executive director, nor any connection with the above mentioned consultancy and advisory companies has resulted in the inability or failure to act independently. In the opinion of the board the three non-executive directors continue to fulfil their roles as independent non-executive directors.

The independent Directors exchange views regularly between board meetings and meet when required to discuss corporate governance and other issues concerning the Group.

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 2013. Up to the date of approval of this report and the financial statements, the board has not been required to deal with any related material internal control issues. The Directors confirm that the board has reviewed the effectiveness of the system of internal control as described during the period.

Communication with shareholders

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.

statement by the chairman of remuneration committee

The remuneration committee is pleased to present its report for the year ended 31 December 2013, which this year is presented in two parts in accordance with the new regulations.

The first part, is the Annual Remuneration Report which details remuneration awarded to directors and non-executive directors during the year. The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution (as in previous years) at the AGM in June 2014. The second part, is the Remuneration Policy Report which details the remuneration policy for directors. This policy is subject to a binding vote by shareholders at the AGM in 2014, and if approved will apply for a 3 year period commencing 10 June 2014. The policy is very much in line with the previous policy although the level of disclosure has increased in line with the new regulations. The committee reviewed the existing policy and deemed no changes necessary to the current arrangements.

Both of the above reports have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Company's auditor, Baker Tilly LLP is required by law to audit certain disclosures and where disclosures have been audited they are indicated as such.

C A Parritt
Chairman, Remuneration Committee

17 April 2014

annual remuneration report

Annual report on remuneration

The following information has been audited

Single total figure of remuneration for the year ended 31 December 2013

	Salary and fees £'000	Bonuses £'000	Benefits £'000	Pensions £'000	**Total before Share options £'000**	National value of vesting Share options £'000	**Total 2013 £'000**
Executive directors							
Sir Michael Heller*	7	216	34	-	**257**	n/a	**257**
J A Heller	327	326	30	33	**716**	n/a	**716**
R J Corry	166	10	24	33	**233**	n/a	**233**
	500	552	88	66	**1,206**	-	**1,206**
Non-executive directors							
H D Goldring*+	43	-	5	-	**48**	n/a	**48**
C A Parritt *+	32	-	-	-	**32**	n/a	**32**
R Priest *^	37	-	-	-	**37**	n/a	**37**
	112	-	5	-	**117**	-	**117**
Total	612	552	93	66	**1,323**	-	**1,323**

* Note 21 "Related party transactions".
^ R Priest was appointed to the board on 31 July 2013
+ Members of the remuneration committee for year ended 31 December 2013
Other benefits include the provision of car, health and other insurance and subscriptions.

Single total figure of remuneration for the year ended 31 December 2012

	Salary and fees £'000	Bonuses £'000	Benefits £'000	Pensions £'000	Total before Share options £'000	National value of vesting Share options £'000	Total 2012 £'000
Executive directors							
Sir Michael Heller*	7	14	40	-	61	n/a	61
J A Heller	300	45	42	30	417	n/a	417
R J Corry	166	9	23	33	231	n/a	231
	473	68	105	63	709	-	709
Non-executive directors							
H D Goldring*+	43	-	4	-	47	n/a	47
C A Parritt *+	33	-	-	-	33	n/a	33
	76	-	4	-	80	-	80
Total	549	68	109	63	789	-	789

* Note 21 "Related party transactions".
+ Members of the remuneration committee for year ended 31 December 2012
Other benefits include the provision of car, health and other insurance and subscriptions.

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 £300,000 (2012: £275,000) for the year. Further details of these services are set out in Note 21 "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 21 to the financial statements.

C A Parritt provides consultancy services to the Group. This is dealt with in Note 21 to the financial statements.

R Priest is a managing director of Alvarez & Marsal Real Estate Advisory Services who provide consultancy services to the Group. This is dealt with in Note 21 to the financial statements.

Summary of directors' terms

	Date of contract	Unexpired term	Notice period
Executive directors			
Sir Michael Heller	1 January 1971	Continuous	6 months
John Heller	1 May 2003	Continuous	12 months
Robert Corry	1 September 1992	Continuous	6 months
Non-executive directors			
H D Goldring	1 July 1992	Continuous	3 months
C A Parritt	1 January 2006	Continuous	3 months
R Priest	31 July 2013	Continuous	3 months

Total pension entitlements

Two directors have benefits under money purchase schemes. Under their contracts of employments they are entitled to a regular employer contribution (currently £33k a year). There are no final salary schemes in operation. No pension costs are incurred on behalf of non-executive directors.

Share Incentive Plan (SIP)

In 2006 the directors set up an HMRC approved share incentive plan (SIP). The purpose of the plan, which is open to all eligible LAP executive directors and head office based staff, is to enable them to acquire shares in the Company and 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 of 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:** No free shares were awarded in 2013 (2012: 90,480). However, 35,518 shares were awarded in February 2014 relating to 2013 bonuses and these are shown below.

Free shares awarded:

	Number of members		Number of shares		Value of shares	
	2013	2012	**2013**	2012	**2013** £	2012 £
Directors:						
R J Corry	1	1	5,150	13,636	3,000	3,000
J A Heller	-	1	-	13,636	-	3,000
Staff	6	5	30,368	63,208	17,690	13,906
Total at 31 December	**7**	7	**35,518**	90,480	**20,690**	19,906

2. **Partnership shares:** No partnership shares were issued between November 2012 and October 2013.
3. **Matching shares:** The partnership share agreements for the year to 31 October 2013 provide for two matching shares to be awarded free of charge for each partnership share acquired. No partnership shares were acquired in 2013 (2012: 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 2013 amounted to nil (2012: nil).

Dividend shares issued:

	Number of members		Number of shares		Value of shares	
	2013	2012	**2013**	2012	**2013 £**	2012 £
Directors:						
R J Corry	-	1	-	2,462	-	535
J A Heller	-	1	-	2,211	-	481
Staff	-	12	-	20,109	-	4,373
Total at 31 December	-	14	-	24,782	-	5,389

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.

Share Option Schemes

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. 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. No director has any options outstanding under the Approved Scheme nor were any options granted under the Approved Scheme for the year ended 31 December 2013.

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 2013 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. 70,000 options under the Unapproved Scheme lapsed during the year to 31 December 2013. Further details of this scheme are set out in Note 20 "Share Capital" to the financial statements.

Payments to past directors

No payments were made to past directors in the year ended 31 December 2013.

Payments for loss of office

No payments for loss of office were made in the year ended 31 December 2013.

Statement of directors' shareholding and share interest

Directors' interests

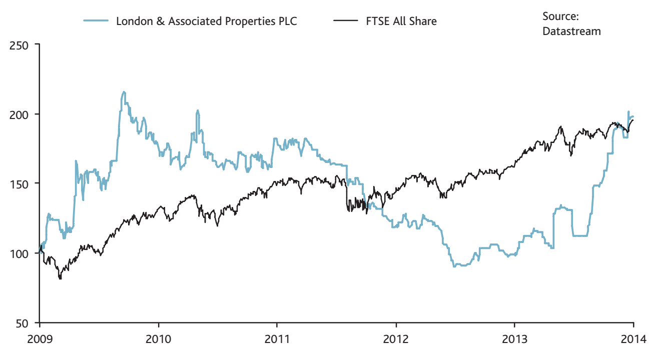
The interests of the Directors in the ordinary shares of the Company, including family and trustee holdings, where appropriate, were as follows:

	Beneficial interests		Non-beneficial interests	
	31 Dec 13	1 Jan 13	31 Dec13	1 Jan 13
Sir Michael Heller	6,335,252	6,304,002	19,277,931	19,277,931
R J Corry	1,028,448	998,355	-	-
H D Goldring	19,819	19,819	-	-
J A Heller	1,673,581	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.
The beneficial holdings of Directors shown above include their interests in the Share Incentive Plan.

Performance graph and table

The graph (unaudited) 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. The bid market price of London & Associated Properties PLC ordinary shares at 31 December 2013 was 22.0p (2012: 22.0p). During the year the share mid-market price ranged between 21.75 and 44.0p.



Remuneration of the Chief Executive over the last five years

Year	CEO	Chief Executive Single total figure of remuneration £'000	Annual bonus payout against maximum opportunity* %	Long-term incentive vesting rates against maximum opportunity* %
2013	J A Heller	716	n/a	n/a
2012	J A Heller	417	n/a	n/a
2011	J A Heller	671	n/a	n/a
2010	J A Heller	577	n/a	n/a
2009	J A Heller	982	n/a	n/a

*There were no formal criteria or conditions to apply in determining the amount of bonus payable or the number of shares to be issued.

Percentage change in Chief Executive's Remuneration (audited)

The table below shows the percentage change in Chief Executive remuneration for the prior year compared to the average percentage change for all other Head Office based employees. To provide a meaningful comparison, the same group of employees (although not necessarily the same individuals) appear in the 2012 and 2013 group. The remuneration committee chose Head Office based employees as the comparator group as this group forms the closest comparator group.

	Chief Executive £'000			Head Office Employees £'000		
	2013	2012	% change	**2013**	2012	% change
Base salary	327	300	9%	894	900	(0.6%)
Taxable benefits	30	42	(28%)	117	134	(12%)
Annual bonus	326	45	625%	209	61	242%
Total	**683**	387	**76%**	**1,220**	1,095	**11%**

Relative importance of spend on pay

The total expenditure of the Group on remuneration to all employees (Note 22 refers) is shown below:

	2013 £'000	2012 £'000
Employee Remuneration	2,730	1,946
Distributions to shareholders	-	630

Statement of implementation of remuneration policy in the following year

If the policy is approved at the AGM in June 2014 it is intended that the remuneration policy take effect from 10 June 2014. The vote on the remuneration policy is binding in nature. The Company may not then make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a director of the Company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members.

Consideration by the directors of matters relating to directors' remuneration

The Remuneration Committee considered the executive directors remuneration and the board considered the non-executive directors remuneration in the year ended 31 December 2013. No increases were awarded and no external advice was taken in reaching this decision.

Shareholder voting

At the Annual General Meeting on 4 June 2013, there was an advisory vote on the resolution to approve the Remuneration Report the result of which is detailed below:

	% of votes for	% of votes against	Number of votes withheld
Resolution to approve the Remuneration Report	99.16	0.61	54

remuneration policy

Introduction

Set out below is the Group policy on directors' remuneration. This will be proposed for a binding vote at the 2014 AGM. If approved the policy will take effect from 10 June 2014.

In setting the policy, the Remuneration Committee has taken the following into account:

- The need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the company
- The Group's general aim of seeking to reward all employees fairly according to the nature of their role and their performance
- Remuneration packages offered to similar companies within the same sector
- The need to align the interests of shareholders as a whole with the long-term growth of the Group
- The need to be flexible and adjust with operational changes throughout the term of this policy

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.

Future policy table

Element	Purpose
Executive directors	
Base salary	To recognise: Skills Responsibility Accountability Experience Value
Pension	To provide competitive retirement benefits
Benefits	To provide a competitive benefits package
Annual Bonus	To reward and incentivise
Share Options	To provide executive directors with a long-term interest in the company
Share Incentive Plan (SIP)	To offer a shorter term incentive in the company and to give directors a stake in the group

Policy	Operation	Opportunity and performance conditions
Considered by remuneration committee on appointment Set at a level considered appropriate to attract, retain, motivate and reward the right individuals	Reviewed annually whenever there is a change of role or operational responsibility Paid monthly in cash	There is no prescribed maximum salary or maximum rate of increase No specific performance conditions are attached to base salaries
Company contribution offered at up to 10% of base salary as part of overall remuneration package	The contribution payable by the Company is included in the director's contract of employment Paid into money purchase schemes	Company contribution offered at up to 10% of base salary as part of overall remuneration package No specific performance conditions are attached to pension contributions
Contractual benefits include: Car or car allowance Group health cover Death in service cover Permanent health insurance	The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs (e.g. medical inflation)	The costs associated with benefits offered are closely controlled and reviewed on an annual basis No specific performance conditions are attached to contractual benefits The value of benefits for each director for the year ended 31 December 2013 is shown in the table on page 30
In assessing the performance of the executive team, and in particular to determine whether bonuses are merited the remuneration committee takes into account the overall performance of the business, as well as individual contribution to the business in the period Bonuses are generally offered in cash or shares	The remuneration committee determines the level of bonus on an annual basis applying such performance conditions and performance measures as it considers appropriate	The current maximum bonus will not exceed 200% of base salary in any one year but the remuneration committee reserves the power to award up to 300% in an exceptional year Performance conditions will be assessed on an annual basis The performance measures applied may be financial, non-financial, corporate, divisional or individual and in such proportion as the remuneration committee consider appropriate
Granted under existing schemes (see page 32)	Offered at appropriate times by the remuneration committee	Entitlement to share options granted under the Approved Option scheme are not subject to performance criteria. Share Options granted under the Unapproved Scheme are subject to the performance criteria specified in the Scheme rules Share options will be offered by the remuneration committee as appropriate There are no maximum levels for share options offered
Offered to executive directors and head office staff	Maximum participation levels are set by HMRC	Of any bonus awarded, Directors may opt to have maximum of £3,000 of per year paid in 'Free Shares' under the SIP scheme rules Full detail of the SIP can be found on page 31

Future policy table continued

Element	Purpose	Policy	Operation	Opportunity and performance conditions
Non-executive directors				
Base salary	To recognise: Skills Experience Value	Considered by the board on appointment Set at a level considered appropriate to attract, retain and motivate the individual Experience and time required for the role are considered on appointment	Reviewed annually	There is no prescribed maximum salary or maximum rate of increase No performance conditions are attached to base salaries
Pension		No pension offered		
Benefits		No benefits offered except to one non-executive director who is eligible for health cover (see annual remuneration report page 30)	The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs (e.g. medical inflation)	The costs associated with benefits offered are closely controlled and reviewed on an annual basis No specific performance conditions are attached to contractual benefits
Share Options		Non-executive directors do not participate in the share option schemes		

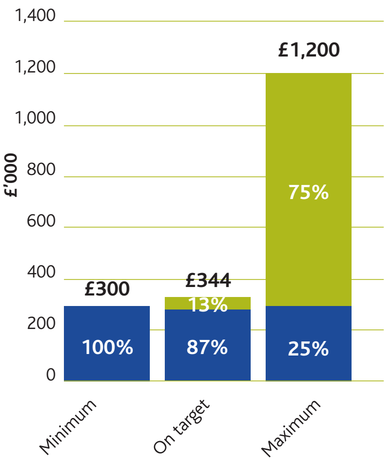
Notes to the Future Policy Table

The remuneration committee consider the performance measures outlined in the table above to be appropriate measures of performance. For details of remuneration of other Company employees please see page 37

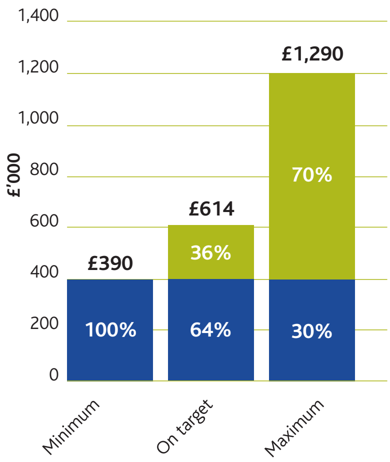
Remuneration scenarios

An indication of the possible level of remuneration that would be received by each Executive director in the year commencing 10 June 2014 in accordance with the director's remuneration policy is shown below.

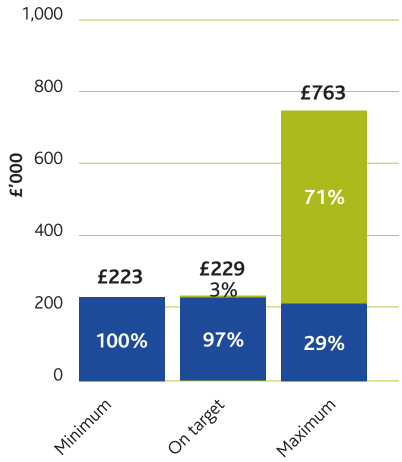
Sir Michael Heller



J A Heller



R J Corry



Bonus   Salary, benefits and pension

The base salary level for Sir Michael Heller for the purpose of these graphs (and bonus calculation) is £300k as per the note on page 31.

Assumptions

Minimum

Consists of base salary, benefits and pension. Base salary, benefits and pension for 2014 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2013 on page 30.

On target

Based on the average percentage bonus awarded to the individual in the three years ending on 31 December 2013. As outlined in the policy table above, the remuneration committee has discretion to award bonuses of up to 200% of base salary in any one year (up to 300% in an exceptional year).

Base salary, benefits and pension for 2014 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2013 on page 30.

Maximum

Based on maximum remuneration receivable if 300% base salary awarded as bonus in an exceptional year

Base salary, benefits and pension for 2014 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2013 on page 30.

Approach to recruitment remuneration

All appointments to the board are made on merit. The components of the remuneration package (for a new director who is recruited within the life of the approved remuneration policy) would comprise base salary, pension, benefits, annual bonus and an opportunity to be granted share options as outlined above. The approach to such appointments are detailed within the future policy table above. The Company will pay such levels of remuneration to new directors that will enable the Company to attract appropriately skilled and experienced individuals but which are not, in the opinion of the remuneration committee, excessive.

Service 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. Directors notice periods (see page 31 of the annual remuneration report) are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a director leave the company.

All directors' contracts as amended from time to time, have run from the date of appointment. Service contracts are kept at the registered office.

Policy on payment for loss of office

There are no contractual provisions agreed prior to 27 June 2012 that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the remuneration 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.

Consideration of employment conditions elsewhere in the company

In setting this policy for directors' remuneration the remuneration committee has been mindful of the Company's objective to reward all employees fairly according to their role, performance and market forces. In setting the policy for Directors' remuneration the committee has considered the pay and employment conditions of the other employees within the group. No formal consultation has been undertaken with employees in drawing up the policy. The committee has not used formal comparison measures.

Consideration of shareholder views

No shareholder views have been taken into account when formulating this policy. In accordance with the new regulations, an ordinary resolution for approval of this policy will be put to shareholders at the AGM in June 2014.

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 primary 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 also 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 BDO LLP, a separate and independent firm of registered auditor.

C A Parritt
Chairman - Audit Committee

17 April 2014

directors' responsibility statement

The directors are responsible for preparing the Strategic Report and 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 22 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 Strategic 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 2013 by the company as detailed in our Valuation Reports dated 31 January 2014.

Having regard to the foregoing, we are of the opinion that the fair value as at 31 December 2013 of these interests was:

	£'000
Freehold	67,180
Leasehold	16,950
	84,130

33 Wigmore Street, London W1U 1BZ
31 January 2014

Allsop LLP
Regulated by Royal Institute 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 2013 by the company as detailed in our Valuation Report dated 14 February 2014.

Having regard to the foregoing, we are of the opinion that the fair value as at 31 December 2013 of these interests was:

	£'000
Freehold	**1,494**

Capitol House, Russell Street, Leeds LS1 5SP
14 February 2014

Woolhouse Real Estate
Regulated by Royal Institute 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 44 to 79. 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 39 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 Financial Reporting Council's website at http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx

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 2013 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.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made on page 48 of the financial statements concerning the group and company's ability to continue as a going concern. As disclosed in the group accounting policies on page 48 of the financial statements, the group's £44,200,000 revolving credit facility was repayable in September 2012 and an agreement has not yet been reached with the group's finance providers to extend or replace this facility. These conditions, along with the other matters explained on page 48 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would arise if the group and company were unable to continue as a going concern.

Emphasis of Matter – Change in Estimation of Financial Instruments

In forming our opinion on the financial statements, which is not modified, we have also considered the adequacy of disclosures made in note 18 on page 62, to the financial statements concerning the change in accounting estimate used to value the group and company's financial instruments. During the period the group and company's directors have concluded that it is not their intention to hold the instruments for the period to maturity. The directors have therefore adopted the counterparty's or termination valuations within these financial statements as at the year ended 31 December 2013.

The resultant financial instrument liability at 31 December 2013 is £9,569,000 for continuing operations and £14,599,000 for discontinued operations (2012: £33,935,000). If the directors had continued to adopt the previous valuation methodology the liability in the balance sheet would have been £7,923,000 for continuing operations and £11,473,000 for discontinued operations. In relation to continuing operations this change in accounting estimation has reduced the profit by £1,646,000 in the current year. Whilst we are satisfied that the disclosures in the financial statements are appropriate we consider that in the auditor's judgement this matter is of such importance that it is fundamental to a users' understanding of the financial statements.

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 Strategic Report and 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 matters where the Companies Act 2006 requires us 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.

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

17 April 2014

ORCHARD SQUARE
SHEFFIELD

financial statements

consolidated income statement

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Gross property income		**8,229**	8,069
Net revenue from property	1	**2,979**	3,755
Listed investments held for trading	3	**2**	97
Results before finance costs and valuation movements		**2,981**	3,852
Finance income	5	**59**	28
Finance expenses	5	**(5,616)**	(5,043)
Result before valuation movements		**(2,576)**	(1,163)
Non-cash changes in valuation of assets and liabilities			
Net decrease on revaluation of investment properties		**(488)**	(3,902)
Net increase in value of investments held for trading		**3**	4
Share of profit/(loss)of joint ventures, after tax	11	**99**	(43)
Share of profit of associate, after tax	12	**151**	545
Adjustment to interest rate derivative		**4,419**	(1,328)
Result including revaluation and other movements		**1,608**	(5,887)
Attributable to discontinued operations*	7	**(461)**	13,510
Profit for the year before taxation		**1,147**	7,623
Income tax	6	**2,326**	(354)
Profit for the year attributable to the owners of the parent		**3,473**	7,269
Basic and diluted profit/(loss) per share - continuing operations	9	**2.74p**	(8.95)p
Basic and diluted profit per share - discontinued operations	9	**1.38p**	17.60p
Total	9	**4.12p**	8.65p

*The results previously reported in the year ended 31 December 2012 have been reclassified to reflect discontinued operations.

consolidated balance sheet

at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Market value of properties attributable to Group		**87,449**	205,412
Present value of head leases	24	**4,597**	28,657
Property	10	**92,046**	234,069
Plant and equipment	10	**203**	260
Investments in joint ventures	11	**2,607**	1,337
Investments in associated company	12	**6,986**	7,271
Held to maturity investments	13	**2,200**	1,913
Deferred tax	19	**5,651**	3,324
		109,693	248,174
Current assets			
Assets held for sale	7	**126,590**	-
Trade and other receivables	14	**3,356**	4,656
Financial assets - investments held for trading	15	**23**	20
Cash and cash equivalents		**6,990**	8,303
		136,959	12,979
Total assets		**246,652**	261,153
Current liabilities			
Liabilities associated with assets held for sale	7	**(111,523)**	-
Trade and other payables	16	**(10,255)**	(12,514)
Financial liabilities - borrowings	17	**(45,918)**	(52,666)
		(167,696)	(65,180)
Non-current liabilities			
Financial liabilities - borrowings	17	**(15,056)**	(86,924)
Interest rate derivatives	18	**(9,569)**	(33,935)
Present value of head leases on properties	24	**(4,597)**	(28,657)
		(29,222)	(149,516)
Total liabilities		**(196,918)**	(214,696)
Net assets		**49,734**	46,457
Equity attributable to the owners of the parent			
Share capital	20	**8,554**	8,554
Share premium account		**4,866**	4,866
Translation reserve in associate		**(658)**	(338)
Capital redemption reserve		**47**	47
Retained earnings (excluding treasury shares)		**38,084**	34,749
Treasury shares	20	**(1,159)**	(1,421)
Retained earnings		**36,925**	33,328
Total shareholders' equity		**49,734**	46,457
Net assets per share	9	**59.00p**	55.30p
Diluted net assets per share	9	**59.00p**	55.29p

These financial statements were approved by the board of directors and authorised for issue on 17 April 2014 and signed on its behalf by:

Michael Heller

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 2013

	Share capital £'000	Share premium £'000	Translation reserves in associate £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings Retained earnings excluding treasury shares £'000	Total equity £'000
Balance at 1 January 2012	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
Transactions 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
Profit for year	-	-	-	-	-	3,473	3,473
Other comprehensive income:							
Currency translation in associate	-	-	(320)	-	-	-	(320)
Total other comprehensive income	-	-	(320)	-	-	-	(320)
Total comprehensive income	-	-	(320)	-	-	3,473	3,153
Transaction with owners:							
Equity share options in associate	-	-	-	-	-	62	62
Disposal of own shares	-	-	-	-	62	-	62
Loss on transfer of own shares	-	-	-	-	200	(200)	-
Transactions with owners	-	-	-	-	262	(138)	124
Balance at 31 December 2013	**8,554**	**4,866**	**(658)**	**47**	**(1,159)**	**38,084**	**49,734**

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

consolidated statement of comprehensive income

for the year ended 31 December 2013

	2013 £'000	2012 £'000
Profit for the year	**3,473**	7,269
Other comprehensive income:		
Currency translation in associate	**(320)**	(122)
Other comprehensive income for the year net of tax	**(320)**	(122)
Total comprehensive income for the period attributable to owners of the parent	**3,153**	7,147

consolidated cash flow statement

for the year ended 31 December 2013

	2013 £'000	2012 £'000
Operating activities		
Net revenue from property - continuing operations	**2,979**	3,755
- discontinued operations	**6,557**	7,546
Listed investments held for trading	**2**	97
Depreciation	**54**	188
Profit on disposal of non-current assets	**(21)**	(121)
Decrease/(increase) in receivables	**792**	(129)
Decrease in payables	**471**	767
Decrease in investments held for trading	**-**	619
Cash generated from operations	**10,834**	12,722
Income tax paid	**-**	-
Cash inflows from operating activities	**10,834**	12,722
Investing activities		
Investment in shares and loan stock in joint ventures	**409**	85
Investment in shares held to maturity	**(2,200)**	-
Property acquisitions and improvements	**(34)**	(1,115)
Sale of properties - discontinued operations	**9,310**	-
Purchase of office equipment and motor vehicles	**(33)**	(37)
Sale of office equipment and motor vehicles	**57**	194
Interest received - continuing operations	**41**	28
- discontinued operations	**-**	19
Dividends received from associate and joint ventures	**177**	242
Cash inflows/(outflows) from investing activities	**7,727**	(584)
Financing activities		
Sale of treasury shares	**62**	-
Equity dividends paid	**-**	(630)
Interest paid - continuing operations	**(3,314)**	(3,213)
- discontinued operations	**(5,990)**	(6,301)
Interest on obligation under finance leases - continuing operations	**(269)**	(250)
- discontinued operations	**(1,786)**	(1,227)
Debenture stock break costs paid - discontinued operations	**(545)**	-
Short term loan from joint ventures and related parties	**700**	2,000
Repayment of debenture stocks - discontinued operations	**(6,700)**	-
Repayment of medium term bank loan	**(247)**	(236)
Cash outflows from financing activities	**(18,089)**	(9,857)
Net increase in cash and cash equivalents	**472**	2,281
Cash and cash equivalents at beginning of year	**5,028**	2,747
Cash and cash equivalents at end of year	**5,500**	5,028

The cash flows above relate to continuing and discontinued operations. See Note 7 for information on discontinued operations.

Cash and cash equivalents

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

	2013 £'000	2012 £'000
Cash and cash equivalents (before bank overdrafts)	**6,990**	8,303
Bank overdrafts	**(1,490)**	(3,275)
Cash and cash equivalents at end of year	**5,500**	5,028

£0.5 million of cash deposits at 31 December 2013 was charged as security to a debenture stock.

group accounting policies

The following are the principal group accounting policies:

Basis of accounting

The Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with those parts of the Companies Act 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 26. 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 as well as 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, the parent company is a listed public company, incorporated and domiciled in England and quoted on the London Stock Exchange. The Company registration number is 341829.

Going concern

The directors have reviewed the cash flow forecasts of the Group and the underlying assumptions on which they are based. They have also considered carefully the position in relation to renewal of the Group 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 Review. In addition Note 18 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 which expired originally in September 2012. While these negotiations have been ongoing the existing facility was extended firstly to 2 July 2013 and subsequently it has been allowed to continue while the documentation for a new short term facility is finalised. The negotiations have been protracted because the Board felt that the terms offered initially could be improved, even allowing for the fact that the facility sought is only for the short term. The Board is seeking longer term funding from a new lender, as this will be in the best interests of the Group. Negotiations for a new long term facility are well advanced and we have received outline offers on good terms from over 10 financial institutions.

Following the sale of Windsor for £105 million in January 2014, we have paid off the £70 million loan related to that property and we have terminated the related interest rate swap at a cost of £14.6 million. The balance of these proceeds is available to the Group. As a result the gearing of the Group has improved substantially (details of this are given in Note 18) and further improved our negotiating position for short and longer term facilities. This cash could, of course, be used to reduce borrowings but the directors prefer to use it to further develop the business.

In the circumstances the directors are confident that the short term facility and a longer term replacement will be in place shortly. Should new funding not be available, there is more than adequate security to cover the outstanding loan, net of transaction costs.

With sound financial resources and long term leases in place and taking account of the outline funding offers received, the Directors do not believe that current negotiations represent material uncertainties and they are satisfied that the Group is well placed to manage its business risks despite the current uncertain economic outlook. Accordingly the Group has adequate resources to continue in operational existence for the foreseeable future. Thus we 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. The Group uses external professional valuers to determine property values and, as all hedges are in the process of being terminated, these are valued at estimated exit values at the balance sheet date.

International Accounting Standards (IAS/IFRS)

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

IFRS 7 Financial Instruments (amendment)

IFRS 13 Fair Value Measurement

IAS 1 Presentation of Financial Statements (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 2013 and have not been adopted early:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities IAS 27 Separate Financial Statements (revised)

IAS 28 Investments in Associates and Joint Ventures (revised)

IAS 32 Financial Instruments: Presentation (amendment)

With the exception of IFRS 10 and IFRS 12, 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. The Directors have not yet completed the evaluation of the effect of adoption of IFRS 10 and IFRS 12.

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 26.4.

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

At 31 December 2013 the Group had hedges totalling £50.4m to cover the £44.2 million facility. These consisted of a 20 year swap for £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. Since the year end these hedges have been reduced by £30.4 million (the £10.4 million hedge at 4.76 per cent and £20.0 million of the £40.0 million hedge at 4.685 per cent have been cancelled) leaving only £20 million of the 4.685 per cent hedge outstanding.

The Board has decided to terminate all the long dated derivatives rather than hold them to maturity. This decision has necessitated a revision of the accounting estimate so that the fair value of derivatives is now recognised on the basis that they are short term liabilities, rather than being held for the longer term. At 31 December 2013 the liability for the hedging instruments is based on the bank termination value adjusted for interest already included elsewhere in the accounts.

This results in a liability at 31 December 2013 of £9,569,000 in relation to continuing operations and £14,599,000 in relation to discontinued operations (2012: £33,935,000). If, as was the case in 2012, the hedges had been valued at the net present value of the fair value , as against the termination values, the liability in the balance sheet would have been £7,923,000 in relation to continuing operations and £11,473,000 in relation to discontinued operations. The value of the continuing hedging instrument changes by approximately £61,000 for each 0.1% change in interest rate.

The amount recognised in the income statement for continuing operations was a gain of £4,419,000. Had the hedges been valued at the net present value of the fair value to the business (as last year), the amount recognised in the income statement would have been a gain of £6,065,000. Thus, in relation to continuing operations, the profit has been reduced by £1,646,000 in the current year. There is no impact on the income statement for discontinued operations because the sale of Windsor required the hedging instrument to be terminated, and so had to be accounted for on a terminated basis.

Under IFRS 13 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 bank has an option to cancel the hedges in January 2015. The cost to the Group to exit the instruments before January 2015 has been attributed a cost by the bank of £174,000 (2012: £401,000).

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 directors property valuation is at fair value. The directors valuation of property assets held for sale is at post year end disposal value, as property contracts were exchanged during the year.

The valuation of all other properties 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

The Group undertakes one primary activity – the management of properties either for its own account or for third parties (including associated companies and joint venture partners). In addition it holds a number of investments (including a significant stake in its associated company - Bisichi Mining PLC). The property business is subject to risks and returns that are different from those attributable to investment activities and this is reflected in the way the Group is managed and with the format of the Group's internal financial reporting.

1. Results for the year and segmental analysis

Operating Segments are based on the internal reporting and operational management of the Group. The Group is focused primarily on property activities (which generate all trading income), but it also holds and manages investments.

Business segments

	2013 Total £'000	2012 Total £'000
Property income		
Group rental income including share of joint ventures	**6,807**	7,220
Less: joint ventures – share of rental income	**(267)**	(281)
Rental income from group properties	**6,540**	6,939
Management income from third party properties	**1,689**	1,130
Property related income	**8,229**	8,069
Direct property expenses	**(851)**	(728)
Overheads	**(4,399)**	(3,586)
Property result before finance costs and valuation movements*	**2,979**	3,755
Total assets (excluding investments in associate and joint ventures and discontinued businesses)	**108,246**	250,632
Total liabilities (excluding borrowings and current tax)	**(24,421)**	(75,106)
Borrowings	**(60,974)**	(139,590)
	22,851	35,936
Investments	**23**	20
Investments in joint ventures: non segmental (notes 11 and 13)	**2,607**	3,245
Investments in associate: non segmental (note 12)	**6,986**	7,271
Investments in unlisted companies	**2,200**	5
Discontinued operations	**15,067**	-
Net assets as per balance sheet	**49,734**	46,457
Other segment items:		
Net (decrease)/increase on revaluation of investment properties	**(488)**	3,902
Net increase on revaluation of investments held for trading	**3**	4
Finance income	**59**	47
Finance expenses	**5,616**	5,403
Depreciation	**54**	188
Capital expenditure	**47**	1,009

* Property result before finance cost and valuation movements 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.

1. Results for the year and segmental analysis continued

Net rental income

	Group exclude: joint ventures £'000	Joint Ventures Dragon Retail Properties £'000	Langney Shopping Centre Unit Trust £'000	Total £'000	Group Share 2013 £'000	2012 £'000
Property income	**8,229**	**205**	**1,313**	**9,747**	**8,496**	8,350
Direct property expenses	**(851)**	**(15)**	**(184)**	**(1,050)**	**(882)**	(780)
Overheads	**(4,399)**	**(116)**	**(409)**	**(4,924)**	**(4,508)**	(3,661)
	2,979	**74**	**720**	**3,773**	**3,106**	3,909
Less: attributable to joint ventures					**(127)**	(153)
Net rental income					**2,979**	3,755

Geographical segments

At net rental income level, the Group operates only in the United Kingdom. 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 (2012: none).

2. Profit before taxation

	2013 £'000	2012 £'000
Profit before taxation is stated after charging/(crediting):		
Staff costs (note 22)	**2,730**	1,946
Depreciation on tangible fixed assets - owned assets	**54**	188
Operating lease rentals - land and buildings	**645**	550
Profit on disposal of motor vehicles and office equipment	**(21)**	(121)
Amounts payable to the auditor in respect of both audit and non-audit services		
Audit services:		
Statutory - company and consolidation	**75**	69
- subsidiaries	**29**	29
Further assurance services	**19**	2
Other services	**5**	8
	128	108

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

3. Listed investments held for trading

	2013 £'000	2012 £'000
Investment sales	**-**	733
Dividends receivable	**2**	8
	2	741
Cost of sales	**-**	(619)
	2	122
Attributable overheads	**-**	(25)
Net income from listed investments	**2**	97

4. Directors' emoluments

	2013 £'000	2012 £'000
Emoluments	**1,257**	726
Defined contribution pension scheme contributions	**66**	63
	1,323	789

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

5. Finance income and expenses

	2013 £'000	2012 £'000
Finance income	**59**	28
Finance expenses		
Interest on bank loans and overdrafts	**(1,659)**	(1,382)
Other loans	**(1,559)**	(1,494)
Interest on derivatives	**(2,111)**	(1,931)
Interest on obligations under finance leases	**(287)**	(236)
Total finance expenses	**(5,616)**	(5,043)
	(5,557)	(5,015)

6. Income tax

	2013 £'000	2012 £'000
Current tax		
Corporation tax on profit of the period	**-**	-
Adjustments in respect of previous periods	**-**	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**(3,273)**	46
Revaluation of investment properties	**(1,157)**	1,770
Accelerated capital allowances	**(867)**	(1,370)
Fair value of interest derivatives	**2,971**	(92)
Total deferred tax (note 19)	**(2,326)**	354
Tax on profit on ordinary activities	**(2,326)**	354

6. Income tax continued

Factors affecting tax charge for the year

The corporation tax assessed for the year is different from that at the effective rate of corporation tax in the United Kingdom of 23.25 per cent (2012: 24.5 per cent). The differences are explained below:

	2013 £'000	2012 £'000
Profit for the year before taxation	**1,147**	7,623
Taxation at 23.25 per cent (2012: 24.5%)	**267**	1,868
Effects of:		
Other differences	**(3,491)**	(1,824)
Joint ventures and associate	**-**	(33)
Deferred tax rate adjustment	**898**	343
Tax (credit)/charge for the period	**(2,326)**	354

The main component of other differences in the reconciliation relates to capital gains of £2.4 million (2012: £0.8 million) and indexation allowances of £0.7 million (2012: £0.8 million).

Factors that may affect future tax charges:

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

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

7. Discontinued operations and assets and liabilities classified as held for sale

A. Disposals

As part of the Group's strategy to focus on core assets, the Group disposed of the following properties during the year. The profits and losses arising from these disposals are classified as discontinued operations:

Property
King Edward Court, Windsor
Chesterfield
Halifax

Contracts for the sale of King Edward Court had been exchanged at the date of the accounts and completion took place in January 2014. The transaction has, though, been included as a discontinued operation in order to display a true and fair view.

B. Result for the year of discontinued operations

	2013 £'000	2012 £'000
Gross property income	**7,370**	8,227
Direct property costs	**(720)**	(623)
Net property income	**6,650**	7,604
Overheads	**(93)**	(58)
Net revenue from property	**6,557**	7,546
Loss on sale of investment properties	**(165)**	-
	6,392	7,546
Finance expenses	**(5,990)**	(6,282)
Debenture break costs	**(545)**	-
	(143)	1,264
Net (decrease)/increase on revaluations of investment properties	**(5,351)**	14,594
Share of loss of joint venture after tax	**(315)**	(591)
Interest rate derivative	**5,348**	(1,757)
(Loss)/profit before tax attributable to shareholders	**(461)**	13,510
Income tax	**1,626**	1,275

7. Discontinued operations and assets and liabilities classified as held for sale continued

C. Cash flows from discontinued operations

	2013 £'000	2012 £'000
Cash flows from operating activities	**6,392**	7,546
Cash flows from investing activities	**9.310**	19
Cash flows from financing activities	**(15,021)**	(7,528)
Net cash inflow from discontinued operations	**681**	37

D. Summary of assets and liabilities associated with assets held for sale

	2013 £'000
Investment properties	**102,663**
Present value of head leases	**23,627**
Property	**126,290**
Trade and other receivables	**300**
Assets held for sale	**126,590**
Net current borrowings	**(70,000)**
Trade and other payables	**(3,297)**
Interest rate derivatives	**(14,599)**
Present value of head leases	**(23,627)**
Liabilities associated with assets held for sale	**(111,523)**
Net assets associated with assets held for sale	**15,067**

8. Dividend

	2013 Per share	£'000	2012 Per share	£'000
Dividends paid during the year relating to the prior period	**-**	**-**	0.75p	630
Dividends to be paid:				
Proposed final dividend	**0.125p**	**105**	-	-

9. Profit per share and net assets per share

Profit per share has been calculated as follows:

	2013	2012
Profit for the year for the purposes of basic and diluted profit per share (£'000)	**3,473**	7,269
Weighted average number of ordinary shares in issue for the purpose of basic profit per share ('000)	**84,266**	84,004
Basic profit per share	**4.12p**	8.65p
Weighted average number of ordinary shares in issue for the purpose of diluted profit per share ('000)	**84,266**	84,004
Fully diluted profit per share	**4.12p**	8.65p

Weighted average number of shares in issue is calculated after excluding treasury shares of 1,254,738 (2012: 1,538,398).

The profit for continuing operations was £2,308,000 (2012: loss £7,516,000) and discontinued operations was £1,165,000 (2012: £14,785,000).

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

9. Profit per share and net assets per share continued

Net assets per share have been calculated as follows:

	2013	2012
Net assets (£'000)	**49,734**	46,457
Shares in issue ('000)	**84,288**	84,004
Basic net assets per share	**59.00p**	55.30p
Net assets diluted (£'000)	**49,734**	46,485
Shares in issue ('000)	**84,288**	84,074
Diluted net assets per share	**59.00p**	55.29p

10. 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 2013	234,069	77,257	156,506	306	1,136
Additions	14	-	14	-	33
Disposals	(9,475)	(7,585)	(1,890)	-	(145)
Discontinued operations	(126,290)	-	(126,290)	-	-
Decrease in present value of head leases	(433)	-	(433)	-	-
(Decrease)/increase on revaluation	(5,839)	827	(6,641)	(25)	-
Cost or valuation at 31 December 2013	**92,046**	**70,499**	**21,266**	**281**	**1,024**
Representing assets stated at:					
Valuation	87,449	70,499	16,675	275	-
Present value of head leases	4,597	-	4,591	6	-
Cost	-	-	-	-	1,024
	92,046	**70,499**	**21,266**	**281**	**1,024**
Depreciation at 1 January 2013	-	-	-	-	876
Charge for the year	-	-	-	-	54
Disposals	-	-	-	-	(109)
Depreciation at 31 December 2013	**-**	**-**	**-**	**-**	**821**
Net book value at 1 January 2013	234,069	77,257	156,506	306	260
Net book value at 31 December 2013	**92,046**	**70,499**	**21,266**	**281**	**203**

10. 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 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

The leasehold and freehold properties, excluding the present value of head leases and directors valuations, were valued as at 31 December 2013 by external professional firms of chartered surveyors. The valuations were made at fair value. The directors property valuations were made at fair value.

	2013 £'000	2012 £'000
Allsop LLP	**84,130**	201,235
Woolhouse Real Estate	**1,494**	-
BNP Paribas Real Estate	**-**	4,177
Directors valuations	**1,825**	-
	87,449	205,412
Add: Present value of headleases	**4,597**	28,657
	92,046	234,069

The historical cost of investment properties, including total capitalised interest of £1,161,000 (2012: £6,051,000) was as follows:

		2013			2012	
	Freehold £'000	**Leasehold Over 50 years £'000**	**Short Leasehold £'000**	Freehold £'000	Leasehold Over 50 years £'000	Short Leasehold £'000
Cost at 1 January	76,759	122,235	785	76,133	121,889	785
Additions	-	14	-	626	346	-
Disposals	(12,360)	(2,322)	-	-	-	-
Discontinued operations	-	(101,995)	-	-	-	-
Cost at 31 December	**64,399**	**17,932**	**785**	76,759	122,235	785

Each year external valuers are appointed by the Executive Directors on behalf of the Board. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the Group.

Valuations are performed annually and are performed consistently across all properties in the Group's portfolio. At each reporting date appropriately qualified employees of the Group verify all significant inputs and review the computational outputs. Valuers submit their report to the Board on the outcome of each valuation.

10. Property and plant and equipment continued

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, EBITDA, discount rates, construction costs including any specific site costs (for example section 106), professional fees, developer's profit including contingencies, planning and construction timelines, lease regear costs, planning risk and sales prices based on known market transactions for similar properties to those being valued.

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and likelihood of achieving and implanting this change in arriving at its valuation.

There are often restrictions on Freehold and Leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission or lease extension and renegotiation of use are required or when a credit facility is in place. These restrictions are factored in the property's valuation by the external valuer.

The methods of fair value measurement are classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

Level 1: valuation based on inputs on quoted market prices in active markets.

Level 2: valuation based on inputs other than quoted prices included within level 1 that maximise the use of observable data directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuations are not based on observable market data.

Class of property Level 3	Carrying / Fair value 2013 £'000	Valuation technique	Key unobservable inputs	Range (weighted average) 2013
Freehold – external valuation	68,674	Income capitalisation	Estimated Rental Value	£4 - £41
			Per sq ft p.a	(£23)
			Equivalent Yield	5.3% - 10.5%
				(6.9%)
Leasehold over 50 years – external valuation	21,266	Income capitalisation	Estimated Rental Value	£7 - £20
			Per sq ft p.a	(£15)
			Equivalent Yield	8.9% - 14.3%
				(9.6%)
Leasehold under 50 years – external valuation	281	Income capitalisation	Estimated Rental Value	£5
			Per sq ft p.a	(£5)
			Equivalent Yield	23.7%
				(23.7%)
Freehold – Directors valuation	1,825	Income capitalisation	Estimated Rental Value	£5
			Per sq ft p.a	(£5)
			Equivalent Yield	8.3%
				(8.3%)
At 31 December 2013	**92,046**			

The table below illustrates the impact of changes in key unobservable inputs on the carrying / fair value of the Group's properties.

	Estimated rental value 10% increase or (decrease) **£'000**	**Equivalent yield** 25 basis point contraction or (expansion) **£'000**
Freehold – external valuation	5,883/(5,333)	2,891/(2,673)
Leasehold over 50 years – external valuation	1,404/(1,399)	476/(586)
Leasehold under 50 years – external valuation	21/(31)	3/(3)
Freehold – Directors valuation	153/(153)	56/(53)

11. Investment in joint ventures

	2013 £'000	2012 £'000
Group share of:		
Turnover	**420**	638
Loss before tax	**(195)**	(683)
Taxation	**(21)**	49
Loss after tax	**(216)**	(634)
Split:		
Profit/(loss) after tax - continuing operations	**99**	(43)
- discontinued operations	**(315)**	(591)
Non-current assets	**3,608**	7,522
Current assets	**2,050**	2,013
Current liabilities	**(644)**	(6,040)
Non-current liabilities	**(2,407)**	(2,158)
Net assets	**2,607**	1,337

Analytical Ventures Limited (Analytical Ventures) - unlisted property investment company. The Company owned 50 per cent of the issued share capital and £1,907,479 of loan stock of Analytical Ventures. Analytical Ventures became a 100% subsidiary of the Company in December 2013 and the Company acquired the remaining loan stock from Uberior.

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 (2012: 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 7,707 (2012: 7,101) 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. During the year the unit holders made additional capital contributions in proportion to their original holdings and the Company's share was £75,750.

Shares in joint ventures:

	2013 £'000	2012 £'000
At 1 January	1,337	2,039
Share of loss after tax	(216)	(634)
Dividend received	-	(68)
Investment in shares	76	-
Transferred to subsidiary undertaking	1,410	-
	1,270	(702)
At 31 December	**2,607**	1,337

12. Investments in associated company

Associate

	2013 £'000	2012 £'000
Bisichi Mining PLC - listed mining and property investment company		
Group share of:		
Turnover	**14,741**	15,100
Profit before tax	**41**	818
Taxation	**110**	(273)
Profit after tax	**151**	545
Non-current assets	**9,646**	10,397
Current assets	**5,450**	4,624
Current liabilities	**(6,662)**	(6,005)
Non-current liabilities	**(1,297)**	(1,560)
Minority interest	**(151)**	(185)
Net assets	**6,986**	7,271

	2013 £'000	2012 £'000
Share in associate:		
At 1 January	7,271	7,011
Share of profit after tax	151	545
Equity share options	62	11
Currency translation	(321)	(122)
Dividend received	(177)	(174)
	(285)	260
At 31 December	**6,986**	7,271

The company owns 42 per cent (2012: 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 10,636,839 (2012: 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 2013 was £4,865,000 (2012: £4,654,000). No impairment is necessary as the Directors consider the market value deficit temporary, having conducted a detailed impairment review.

13. Held to maturity investments

	2013 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000	2012 Total £'000	Unlisted Shares £'000	Loan Stock in joint ventures £'000
Cost						
At 1 January	1,913	5	1,908	1,998	5	1,993
Loan stock issued	26	-	26	-	-	-
Repayments	(511)	-	(511)	(85)	-	(85)
Reclassification	(1,423)	-	(1,423)	-	-	-
Impairment	(5)	(5)	-	-	-	-
Additions - HRGT	2,200	2,200	-	-	-	-
At 31 December	**2,200**	**2,200**	**-**	1,913	5	1,908

HRGT - The Company acquired a 6.95% interest in the equity of HRGT Shopping Centres LP (HRGT), a limited partnership set up in England to acquire and own 3 shopping centres in Dunfermline, Kings Lynn and Loughborough. 92.10% of the equity is owned by Oaktree Capital Management and 0.95% by Gooch Cunliffe Whale LLP. London & Associated Management Services Limited has a management contract to manage the properties on behalf of HRGT.

14. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**1,009**	1,261
Amounts due from associate and joint ventures	**382**	178
Other receivables	**214**	221
Prepayments and accrued income	**1,751**	2,996
	3,356	4,656

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

15. Investments held for trading

	2013 £'000	2012 £'000
Market bid value of the listed investment portfolio	**23**	20
Unrealised deficit of market value over cost	**-**	(3)
Listed investment portfolio at cost	**23**	23

All investments are listed on the London Stock Exchange.

16. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	**149**	1,409
Amounts owed to joint ventures	**3,300**	3,266
Other taxation and social security costs	**744**	1,216
Other payables	**1,322**	939
Accruals and deferred income	**4,740**	5,684
	10,255	12,514

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

17. Borrowings

Current borrowings - amounts falling due within one year

	2013 £'000	2012 £'000
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**-**	5,000
Bank overdrafts (secured)	**1,490**	3,275
£1 million term bank loan repayable by 2015 (unsecured)	**258**	247
£47 million revolving credit facility repayable in 2013* (secured)	**44,170**	44,144
	45,918	52,666

17. Borrowings continued

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

	2013 £'000	2012 £'000
Term borrowings		
Debenture stocks:		
£1.7 million First Mortgage Debenture Stock 2016 at 8.67 per cent	-	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*	9,855	9,837
	14,855	16,537
Term bank loans:		
£1 million term bank loan repayable by 2015	201	460
£70 million term bank loan repayable in 2014*	-	69,927
	201	70,387
	15,056	86,924

* 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 August 2018 and 2022 and the £44 million bank facility repayable in July 2013 are secured on specific freehold and leasehold properties which are included in the financial statements at a value of £85.8 million. The Directors are working with the bank and advisors on the renewal of the facility to June 2014 and its replacement with a longer term loan.

An adjustment to the £5 million 2018 debenture stock agreement in the year, amended the terms to £1 million repayments in August 2016 and August 2017 and £3 million repayment in 2018.

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.

18. Financial instruments

Treasury policy

The Group enters into derivative transactions such as interest rate swaps and forward exchange contracts in order to help manage the financial risks arising from the Group's activities. The main risks arising from the Group's financing structure are interest rate risk, liquidity risk and market price risk. The policies for managing each of these risks and the principal effects of these policies on the results are summarised below.

Interest rate risk

Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group. The bank loans are secured by way of a first charge on certain fixed assets. The rates of interest vary based on LIBOR in the UK.

Sensitivity analysis

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

Liquidity risk

The Group's policy is to minimise refinancing risk by balancing its exposure to interest risk and to refinancing risk. In effect the Group seeks to borrow for as long as possible at the lowest acceptable cost. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due. Cash and cash equivalents earn interest at rates based on LIBOR in the UK. These facilities 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	2013 Total £'000
Bank overdrafts (floating)	1,490	-	-	1,490
Debentures (fixed)	-	5,000	10,000	15,000
Bank loans (floating)*	44,452	201	-	44,653
Trade and other payables (non-interest)	10,255	-	-	10,255
	56,197	5,201	10,000	71,398

18. Financial instruments continued

	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

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 2013 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 16 and 17.

The Group has undrawn facilities of £2,510,000 (2012: £3,531,000) as follows:

	2013 £'000	2012 £'000
Overdrafts	**2,510**	725
Term facilities expiring in one year	**-**	2,806
	2,510	3,531

Hedge profile

At 31 December 2013 the Group had hedges totalling £50.4m to cover the £44.2 million facility. These consisted of a 20 year swap for £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. Since the year end these hedges have been reduced by £30.4 million (the £10.4 million hedge at 4.76 per cent and £20.0 million of the £40.0 million hedge at 4.685 per cent have been cancelled) leaving only £20 million of the 4.685 per cent hedge outstanding.

The Board has decided to terminate all the long dated derivatives rather than hold them to maturity. This decision has necessitated a revision of the accounting estimate so that the fair value of derivatives is now recognised on the basis that they are short term liabilities, rather than being held for the longer term. At 31 December 2013 the liability for the hedging instruments is based on the bank termination value adjusted for interest already included elsewhere in the accounts.

This results in a liability at 31 December 2013 of £9,569,000 in relation to continuing operations and £14,599,000 in relation to discontinued operations (2012: £33,935,000). If, as was the case in 2012, the hedges had been valued at the net present value of the fair value , as against the termination values, the liability in the balance sheet would have been £7,923,000 in relation to continuing operations and £11,473,000 in relation to discontinued operations. The value of the continuing hedging instrument changes by approximately £61,000 for each 0.1% change in interest rate.

The amount recognised in the income statement for continuing operations was a gain of £4,419,000. Had the hedges had been valued at the net present value of the fair value to the business (as last year), the amount recognised in the income statement would have been a gain of £6,065,000. Thus, in relation to continuing operations, the profit has been reduced by £1,646,000 in the current year. There is no impact on the income statement for discontinued operations because the sale of Windsor required the hedging instrument to be terminated, and so had to be accounted for on a terminated basis.

Under IFRS 13 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 bank has an option to cancel the hedges in January 2015. The cost to the Group to exit the instruments before January 2015 has been attributed a cost by the bank of £174,000 (2012: £401,000).

18. Financial instruments continued

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 the methods of fair value measurement to be classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

- 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**	**2013 Gain/(loss) to income statement '000**
Financial assets					
Other financial assets held for trading					
Quoted equities	**23**	**-**	**-**	**23**	**3**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**-**	**9,569**	**-**	**9,569**	**4,419**
Discontinued					
Derivative financial instruments					
Interest rate swaps	**-**	**14,599**	**-**	**14,599**	**5,348**

	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)

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 of the underlying assets. In order to maintain or adjust the capital structure, the Group may 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 exclude 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 2013 this decreased to 94.1% per cent (2012: 180.9 per cent) which was calculated as follows:

	2013 £'000	2012 £'000
Total debt	**60,974**	139,590
Less cash and cash equivalents	**(6,990)**	(8,303)
Net debt	**53,984**	131,287
Total equity	**57,389**	72,587
	94.1%	180.9%

All the debt, apart from the overdrafts, is at fixed rates of interest as shown in Notes 17 and 18. The Group does not have any externally imposed capital requirements.

18. Financial instruments continued

Financial assets

Financial assets are disclosed in Notes 13, 14 and 15 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.

	2013 £'000	2012 £'000
Cash at bank and in hand	**6,990**	8,303

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	**45,918**	47,666
Repayable between two and five years	**201**	70,387
	46,119	118,053
Debentures:		
Repayable within one year	**-**	5,000
Repayable between two and five years	**5,000**	1,700
Repayable in more than five years	**9,855**	14,837
	60,974	139,590

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	**2,510**	3,531

Interest rate risk and hedge profile

	2013 £'000	2012 £'000
Fixed rate borrowings	**15,000**	21,700
Floating rate borrowings		
- Subject to interest rate swap	**50,400**	120,400
- Excess hedge	**(4,281)**	(5,499)
	61,119	136,601
Average fixed interest rate	**9.27%**	9.69%
Weighted average swapped interest rate	**7.19%**	6.00%
Weighted average cost of debt on overdrafts, bank loans and debentures	**7.58%**	6.48%
Average period for which borrowing rate is fixed	**7.7 years**	6.5 years
Average period for which borrowing rate is swapped	**13.9 years**	14.9 years
The swapped interest rate have calls by the bank	**0.9 years**	1.9 years

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

18. Financial instruments continued

Total financial assets and liabilities

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

	2013 Fair value £'000	2013 Carrying value £'000	2012 Fair Value £'000	2012 Carrying value £'000
Cash and cash equivalents	**6,990**	**6,990**	8,303	8,303
Financial assets - investments held for trading	**23**	**23**	20	20
Other assets	**3,363**	**3,363**	4,656	4,656
Derivative liabilities	**(9,569)**	**(9,569)**	(33,935)	(33,935)
Bank overdrafts	**(1,490)**	**(1,490)**	(3,275)	(3,275)
Bank loans	**(44,653)**	**(44,629)**	(114,901)	(114,778)
Present value of head leases on properties	**(3,235)**	**(3,235)**	(28,657)	(28,657)
Other liabilities	**(10,275)**	**(10,275)**	(12,514)	(12,514)
Total financial liabilities before debentures	**(58,846)**	**(58,822)**	(180,303)	(180,180)

Fair value of debenture stocks

Fair value of the Group's debenture liabilities:

	2013 Book value £'000	2013 Fair value £'000	2013 Fair value adjustment £'000	2012 Fair Value adjustment £'000
Debenture stocks	**(15,000)**	**(19,365)**	**(4,365)**	(6,911)
Tax at 20 per cent (2012: 23 per cent)			**873**	1,590
Post tax fair value adjustment			**(3,492)**	(5,321)
Post tax fair value adjustment - basic pence per share			**(3.7)p**	(8.23)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 2013 and reflect the replacement value of the financial instruments used to manage the Group's exposure to adverse rate movements.

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

19. Deferred tax

	2013 £'000	2012 £'000
Deferred tax asset balance at 1 January	(3,324)	(3,678)
Transfer to consolidated income statement	(2,327)	354
Balance at 31 December	**(5,651)**	(3,324)
The deferred tax balance comprises the following:		
Revaluation of investment properties	**3,020**	4,177
Accelerated capital allowances	**1,029**	1,896
Fair value of interest derivatives	**(4,833)**	(7,805)
Short-term timing differences	**143**	1,069
	(641)	(663)
Loss relief	**(5,010)**	(2,661)
Deferred tax asset provision at end of period	**(5,651)**	(3,324)

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

20. Share capital

	Number of ordinary 10p shares 2013	Number of ordinary 10p shares 2012	2013 £'000	2012 £'000
Authorised: Ordinary shares of 10p each	**110,000,000**	110,000,000	**11,000**	11,000
Allotted, issued and fully paid share capital	**85,542,711**	85,542,711	**8,554**	8,554
Less: held in Treasury (see below)	**(1,254,738)**	(1,538,398)	**(125)**	(154)
"Issued share capital" for reporting purposes	**84,287,973**	84,004,313	**8,429**	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	
	2013	2012	2013 £'000	2012 £'000
Shares held in Treasury at 1 January	1,538,398	1,538,398	1,421	1,421
Issued to meet directors bonuses (Jan 13 -22p)	(103,580)	-	(96)	-
Issued to meet staff bonuses (Jan 13 -22p)	(64,818)	-	(60)	-
Issued for new directors share incentive plan (Jan 13 -22p)	(27,272)	-	(25)	-
Issued for new staff share incentive plan (Jan 13 – 22p)	(63,208)	-	(58)	-
Issued for new directors share incentive plan (Jan 13 -21.75p)	(4,673)	-	(4)	-
Issued for new staff share incentive plan (Jan 13 -21.75p)	(20,109)	-	(19)	-
Shares held in Treasury at 31 December	**1,254,738**	1,538,398	**1,159**	1,421

Share Option Schemes

Employees' share option scheme (Approved scheme)

At 31 December 2013 there were no options to subscribe for ordinary shares outstanding, issued under the terms of the Employees' Share Option Scheme.

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 2013 is as follows:

		Changes during the year			
	At 1 January 2013	Options Exercised	Options granted	Options lapsed	**At 31 December 2013**
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	-	-	(70,000)	**3,917,559**

Non-approved Executive Share Option Scheme (Unapproved scheme)

A share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have HMRC approval was set up during 2000. At 31 December 2013 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.

20. Share capital continued

A summary of the shares allocated and options issued under the scheme up to 31 December 2013 is as follows:

	At 1 January 2013	Changes during the year Options Exercised	Options granted	Options lapsed	**At 31 December 2013**
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**

21. Related party transactions

	Cost recharged to/(by) related party £'000		**Amounts Owed (to)/by related party £'000**	**Cash advanced to/(by) related party £'000**
Related party:				
Dragon Retail Properties Limited				
Current account	(95)		(95)	-
Loan account	-		(3,205)	-
Langney Shopping Centre Unit Trust				
Current account	92	(ii)	40	-
Loan account	-		232	232
Bisichi Mining PLC				
Current account	138	(i)	138	-
Simon Heller Charitable Trust				
Current account	(30)		(30)	-
Loan account	-		(700)	(700)
Directors and key management				
M A Heller and J A Heller	16	(ii)	8	-
H D Goldring (Delmore Asset Management Limited)	(25)	(iii)	-	-
C A Parritt	(18)	(iv)	-	-
R Priest (Alvarez & Marsal Real Estate Advisory Services LLP)	(17)	(iv)	-	-
Totals at 31 December 2013	**61**		**(3,612)**	**(468)**
Totals at 31 December 2012	247		(3,073)	(2,019)

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 Notes 11 and 12.

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. 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. During the year LAP loaned £232,000 at an interest rate of 20 per cent.

The Company provides office premises, property management, general management, accounting and administration services for Dragon and property management services to Langney.

21. Related party transactions continued

Bisichi Mining PLC (associate)

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

Directors

London & Associated Properties PLC provides office premises, property management, general management, accounting and administration services for a number of private property companies in which 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 £300,000 for the year (2012: £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 (2012: £10,000) for work done for two charitable foundations, the Michael & Morven Heller Charitable Foundation and the Simon Heller Charitable Trust.

The Simon Heller Trust has placed on deposit with LAP £700,000 at an interest rate of 9% and refundable on demand.

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.

Alvarez & Marsal Real Estate Advisory Services LLP (A&M) is a company in which R Priest is a director. A&M 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 (2012: £75,000) for services.

J A Heller received a loan of £20,000, which has been repaid in the year.

The directors are considered to be the only key management personnel and their remunerations including employers national insurance for the year were £1,485,000 (2012: £883,000). All other disclosures required including interest in share options in respect of those directors are included within the remuneration report.

22. Employees

The average number of employees, including directors, of the Group during the year involved in management and administration was 29 (2012: 28).

	2013 £'000	2012 £'000
Staff costs during the year were as follows:		
Salaries and other costs	**2,108**	1,427
Social security costs	**260**	181
Pension costs	**362**	338
	2,730	1,946

23. Capital Commitments

	2013 £'000	2012 £'000
Commitments to capital expenditure contracted for at the year end	**-**	-

The Group's share of capital commitments of joint ventures at the year end amounted to £Nil (2012: £Nil).

24. Operating and finance leases

Operating leases on land and buildings

At 31 December 2013 the Group had commitments under non-cancellable operating leases on land and buildings as follows:

	2013 £'000	2012 £'000
Within one year	**324**	600
In the second to fifth years inclusive	**-**	324
	324	924

24. Operating and finance leases continued

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

The leases are for an average term of 5 years and rentals are fixed for an average of one year.

Present value of head leases on properties

	Minimum lease payments		Present value of minimum lease payments	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Amounts payable under finance leases:				
Within one year	**294**	1,821	**294**	1,821
In the second to fifth years inclusive	**1,177**	7,285	**1,094**	6,770
After five years	**29,181**	225,472	**3,209**	20,066
	30,653	234,578	**4597**	28,657
Future finance charges on finance leases	**(26,056)**	(205,921)	**-**	-
Present value of finance lease liabilities	**4,597**	28,657	**4,597**	28,657

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:

	2013 £'000	2012 £'000
Within one year	**7,303**	12,706
In the second to fifth years inclusive	**18,058**	46,628
After five years	**29,788**	66,579
	55,149	125,913

25. Contingent liabilities and post balance sheet events

There were no contingent liabilities at 31 December 2013 (2012: £Nil), except as disclosed in Note 18.

Since the year end the Group has terminated a 20 year swap with a notional value of £70,000,000 with a 7 year call in favour of the bank, taken out in November 2007, at 4.76%; a 20 year swap with a notional value of £10,400,000 with a 7 year call in favour of the bank, taken out in November 2007, at 4.76% and £20,000,000 of a 20 year swap with a notional value of £40,000,000 with a 7 year call in favour of the bank, taken out in December 2007, at 4.685%; leaving a notional £20,000,000 of swap at 4.685% outstanding. The exit cost incurred in 2014 associated with closing these instruments are £20.9m.

On 17 January 2014 the disposal of Windsor Shopping Centre was completed for £104.7m. Full details are included in Note 7.

26. Company financial statements

Company balance sheet at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	26.3	**65,912**	76,972
Other investments:			
Associated company	26.4	**489**	489
Subsidiaries and others	26.4	**47,649**	46,196
	26.4	**48,138**	46,685
		114,050	123,657
Current assets			
Debtors	26.5	**15,436**	24,287
Investments	26.6	**23**	20
Bank balances		**4,969**	6,022
		20,428	30,329
Creditors			
Amounts falling due within one year	26.7	**(78,711)**	(97,083)
Net current liabilities		**(58,283)**	(66,754)
Total assets less current liabilities		**55,767**	56,903
Creditors			
Amounts falling due after more than one year	26.8	**(24,625)**	(30,985)
Net assets		**31,142**	25,918
Capital and reserves			
Share capital	26.10	**8,554**	8,554
Share premium account	26.11	**4,866**	4,866
Capital redemption reserve	26.11	**47**	47
Revaluation reserve	26.11	**2,151**	6,853
Treasury shares	26.10	**(1,159)**	(1,421)
Retained earnings	26.11	**16,683**	7,019
Shareholders' funds		**31,142**	25,918

These financial statements were approved by the board of directors and authorised for issue on 17 April 2014 and signed on its behalf by:

Sir Michael Heller
Director

R J Corry
Director

Company Registration No. 341829

26.1. 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 26.3. 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 48 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 2012 prepared by the Royal Institution of Chartered Surveyors. Directors valuation of properties are at fair value.

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 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.

26.1. Company continued

Financial Instruments

Bank loans and overdrafts
Bank loans and overdrafts are included in creditors on the Company balance sheet at the amounts drawn on the particular facilities. Interest payable on those facilities is expensed as a finance cost in the period to which it relates.

Interest rate derivatives
The 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 previous reporting dates, these interest rate derivatives were recognised at their fair value, 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 was applied for the remainder of the hedge. Because the Directors have decided to terminate all interest rate derivatives they are now shown at their estimated termination value.

Where a derivative is designated as a hedge for 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 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 irrecoverable 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.

26.2. Profit for the financial year

The Company's profit for the year was £9,864,000 (2012 loss: £6,791,000). 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.

26.3. Tangible assets

		Investment Properties			Office Equipment and motor vehicles
	Total £'000	Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000
Cost or valuation at 1 January 2013	77,894	56,557	19,855	300	1,182
Additions	33	-	-	-	33
Disposals	(6,446)	(4,411)	(1,890)	-	(145)
Decrease on revaluation	(4,702)	(3,387)	(1,290)	(25)	-
Cost or valuation at 31 December 2013	**66,779**	**48,759**	**16,675**	**275**	**1,070**
Representing assets stated at:					
Valuation	65,709	48,759	16,675	275	-
Cost	1,070	-	-	-	1,070
	66,779	**48,759**	**16,675**	**275**	**1,070**
Depreciation at 1 January 2013	922	-	-	-	922
Charge for the year	54	-	-	-	54
Disposals	(109)	-	-	-	(109)
Depreciation at 31 December 2013	**867**	**-**	**-**	**-**	**867**
Net book value at 1 January 2013	76,972	56,557	19,855	300	260
Net book value at 31 December 2013	**65,912**	**48,759**	**16,675**	**275**	**203**

The freehold and leasehold properties were valued as at 31 December 2013 by external professional firms of chartered surveyors. The valuations were made at fair value. The directors property valuations were made at fair value.

	2013 £'000	2012 £'000
Allsop LLP	**62,390**	72,535
Woolhouse Real Estate	**1,494**	-
BNP Paribas Real Estate	**-**	4,177
Directors valuation	**1,825**	-
	65,709	76,712

The historical cost of investment properties, including total capitalised interest of £1,161,000 (2012: £1,222,000) was as follows:

	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000
Cost at 1 January 2013	54,620	17,293	785
Additions	-	-	-
Disposals	(6,859)	(2,321)	-
Cost at 31 December 2013	**47,761**	**14,972**	**785**

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

26.4. 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 2013	46,685	40,663	3,658	1,052	818	489	5
Additions	2,302	-	-	76	26	-	2,200
Repayments	(511)	-	-	-	(511)	-	-
Impairment	(338)	-	-	-	(333)	-	(5)
At 31 December 2013	**48,138**	**40,663**	**3,658**	**1,128**	**-**	**489**	**2,200**

In December 2013 the remaining 50% ordinary shares and remaining loan stocks in Analytical Ventures Limited (joint venture) were acquired by the Company for a nominal value and it is now a wholly owned subsidiary.

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
Analytical Ventures Limited	Property Investment	100	100
Analytical Ventures (Halifax) Limited	Property Management Services	-	100

In the opinion of the Directors the value of the investment in subsidiaries is not less than the amount shown in these financial statements.

Details of the associate and joint ventures are set out in Notes 11 and 12.

26.5. Debtors

	2013 £'000	2012 £'000
Trade debtors	**893**	903
Amounts due from subsidiary companies	**8,949**	17,008
Amounts due from associate and joint ventures	**381**	164
Deferred tax asset (note 26.9)	**3,706**	4,644
Other debtors	**181**	187
Prepayments and accrued income	**1,326**	1,381
	15,436	24,287

26.6. Investments

	2013 £'000	2012 £'000
Market value of the listed investment portfolio	**23**	20
Unrealised deficit of market value over cost	**-**	(3)
Listed investment portfolio at cost	**23**	23

All investments are listed on the London Stock Exchange.

26.7. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank overdrafts (unsecured)	**1,490**	3,275
Bank loans (secured)*	**44,170**	44,144
Bank loans (unsecured)	**258**	247
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**-**	5,000
Amounts owed to subsidiary companies	**22,982**	35,974
Amounts owed to joint ventures	**3,300**	3,266
Other taxation and social security costs	**635**	726
Other creditors	**1,408**	747
Accruals and deferred income	**4,468**	3,704
	78,711	97,083

*The bank loans are shown after deduction of un-amortised issue costs.

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

	2013 £'000	2012 £'000
Interest rate derivatives	**9,569**	13,988
Term Debenture stocks:		
£1.7 million First Mortgage Debenture Stock 2016 at 8.67 per cent	**-**	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*	**9,855**	9,837
	14,855	16,537
Bank loans:		
Repayable after more than one year	**201**	460
	24,625	30,985

*The £10 million debenture is 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 17.

Repayment of borrowings:		
Bank loans and overdrafts:		
Repayable within one year	**45,918**	47,666
Repayable between two and three years	**201**	460
	46,119	48,126
Debentures:		
Repayable within one year	**-**	5,000
Repayable between two and five years	**5,000**	1,700
Repayable in more than five years	**9,855**	14,837
	60,974	69,663

Hedge profile

At 31 December 2013 the Company had hedges totalling £50.4m to cover the £44.2 million facility. These consisted of a 20 year swap for £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. Since the year end these hedges have been reduced by £30.4 million (the £10.4 million hedge at 4.76 per cent and £20.0 million of the £40.0 million hedge at 4.685 per cent have been cancelled) leaving only £20 million of the 4.685 per cent hedge outstanding.

The Board has decided to terminate all the long dated derivatives rather than hold them to maturity. This decision has necessitated a revision of the accounting estimate so that the fair value of derivatives is now recognised on the basis that they are short term liabilities, rather than being held for the longer term. At 31 December 2013 the liability for the hedging instruments is based on the bank termination value adjusted for interest already included elsewhere in the accounts.

26.8.Creditors: amounts falling due after more than one year continued

This results in a liability at 31 December 2013 of £9,569,000 (2012: £10,771,000). If, as was the case in 2012, the hedges had been valued at the net present value of the fair value, as against the termination values, the liability in the balance sheet would have been £7,923,000. The value of the hedging instrument changes by approximately £61,000 for each 0.1% change in interest rate.

The amount recognised in the profit and loss account was a gain of £4,419,000. Had the hedges had been valued at the net present value of the fair value to the business (as last year), the amount recognised in the profit and loss account would have been a gain of £6,065,000. Thus the profit has been reduced by £1,646,000 in the current year.

Under FRS 29 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 profit and loss account. The bank has an option to cancel the hedges in January 2015. The cost to the Company to exit the instruments before January 2015 has been attributed a cost by the bank of £174,000 (2012: £182,000).

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 the methods of fair value measurement to be classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

- 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	2013 Gain/(loss) to profit and loss account £'000
Financial assets					
Other financial assets held for trading					
Quoted equities	**23**	**-**	**-**	**23**	**3**
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	**-**	**9,569**	**-**	**9,569**	**4,419**

	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)

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	2013 Total £'000
Bank overdrafts (floating)	**1,490**	**-**	**-**	**1,490**
Debentures (fixed)	**-**	**5,000**	**10,000**	**15,000**
Bank loans (floating)*	**44,451**	**201**	**-**	**44,652**
Trade and other payables (non-interest)	**32,793**	**-**	**-**	**32,793**
	78,734	**5,201**	**10,000**	**93,935**

26.8.Creditors: amounts falling due after more than one year continued

	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

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:

	2013 Fair value £'000	**2013 Carrying value £'000**	2012 Fair value £'000	2012 Carrying value £'000
Cash and cash equivalents	**4,969**	**4,969**	6,022	6,022
Investments	**23**	**23**	20	20
Other assets	**15,436**	**15,436**	24,287	24,287
Bank overdrafts	**(1,490)**	**(1,490)**	(3,275)	(3,275)
Bank loans	**(44,451)**	**(44,428)**	(44,441)	(44,395)
Derivative liabilities	**(9,569)**	**(9,569)**	(13,988)	(13,988)
Other liabilities	**(24,543)**	**(24,543)**	(44,416)	(44,416)
Before debentures	**(59,625)**	**(59,602)**	(75,791)	(75,745)

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

26.9. Provisions for liabilities and charges

	2013 £'000	2012 £'000
Deferred Taxation		
Balance at 1 January	(4,644)	(4,550)
Transfer to profit and loss account	938	(94)
Balance at 31 December	**(3,706)**	(4,644)

No provision has been made for the approximate taxation liability at 20 per cent (2012: 23 per cent) of £101,000 (liability 2012: £51,000) which would arise if the investment properties were sold at the stated valuation.

The deferred tax balance comprises the following:

Accelerated capital allowances	**934**	1,044
Fair value of interest derivatives	**(1,914)**	(3,217)
Short-term timing differences	**146**	156
Losses	**(2,872)**	(2,627)
Provision at end of period	**(3,706)**	(4,644)

26.10. Share capital

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

26.11. Reserves

	Share Premium Account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2013	4,866	47	6,853	7,019	18,785
Decrease on valuation of investment properties	-	-	(4,702)	-	(4,702)
Retained profit for year	-	-	-	9,864	9,864
Loss on disposal of Treasury Shares	-	-	-	(200)	(200)
Balance at 31 December 2013	**4,866**	**47**	**2,151**	**16,683**	**23,747**

26.12. Related party transactions

Details of related party transactions are given in Note 21.

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

26.13. Capital commitments

	2013 £'000	2012 £'000
Commitments to capital expenditure contracted for at the year end	**-**	-

26.14. Commitments under operating leases

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2013 £'000	2012 £'000
Expiring in less than one year	**324**	210
Expiring in more than one year but less than five years	**-**	390
	324	600

In addition, the Company has an annual commitment to pay ground rents on its leasehold investment properties which amount to £327,000 (2012: £354,000).

26.15. Contingent liabilities and post balance sheet events

There were no contingent liabilities at 31 December 2013 (2012: £Nil), except as disclosed in Note 26.8.

Since the year end the Company has terminated a 20 year swap with a notional value of £10,400,000 with a 7 year call in favour of the bank, taken out in November 2007, at 4.76% and £20,000,000 of a 20 year swap with a notional value of £40,000,000 with a 7 year call in favour of the bank, taken out in December 2007, at 4.685%; leaving a notional £20,000,000 of swap at 4.685% outstanding. The exit cost incurred in 2014 associated with closing these instruments are £6.4m.

five year financial summary

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Portfolio size					
Investment properties-Group^	**87**	205	194	195	214
Investment properties-joint ventures	**19**	27	29	13	13
Investment properties-associate	**12**	12	12	12	12
	118	244	235	220	239
Portfolio activity	**£m**	£m	£m	£m	£m
Acquisitions	**-**	-	-	-	-
Disposals	**(9.47)**	-	(0.60)	(20.74)	(17.79)
Capital Expenditure	**-**	0.97	0.42	0.49	3.46
	(9.47)	0.97	(0.18)	(20.25)	(14.33)
Consolidated income statement	**£m**	£m	£m	£m	£m
Rental income - Group and share of joint ventures (including discontinued)	**14.18**	15.80	16.99	16.50	17.07
Less: attributable to joint venture partners	**(0.27)**	(0.63)	(0.61)	(0.52)	(0.52)
Group rental income	**13.91**	15.17	16.38	15.98	16.55
Profit/(loss) before interest and tax	**6.71**	18.93	10.89	11.97	20.49
Profit/(loss) before tax	**1.15**	7.62	(18.56)	(10.69)	21.41
Taxation	**2.33**	(0.35)	3.74	7.19	(2.36)
Profit/(loss) attributable to shareholders	**3.48**	7.27	(14.82)	(3.50)	19.05
Earnings/(loss) per share - basic	**4.12p**	8.65p	(17.63)p	(4.24)p	24.32p
Earnings/(loss) per share - fully diluted	**4.12p**	8.65p	(17.63)p	(4.24)p	24.32p
Dividend per share	**0.125p**	-	0.75p	1.15p	1.15p
Consolidated balance sheet	**£m**	£m	£m	£m	£m
Shareholders' funds	**49.73**	46.46	39.93	55.76	59.10
Net borrowings	**53.96**	131.27	133.03	130.77	145.65
Net assets per share - basic	**59.00p**	55.30p	47.53p	66.71p	74.22p
- fully diluted	**59.00p**	55.29p	47.53p	66.69p	74.19p
Consolidated cash flow statement	**£m**	£m	£m	£m	£m
Cash generated from operations	**10.83**	12.72	10.89	9.58	12.18
Capital investment and financial investment	**7.51**	(0.87)	(0.50)	20.42	13.94

Note: ^Excluding the present value of head leases

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