London & Associated Properties PLC Annual Report & Accounts 1999

LONDON & ASSOCIATED
PROPERTIES PLC

Retail Property Investors

Annual Report & Accounts 1999

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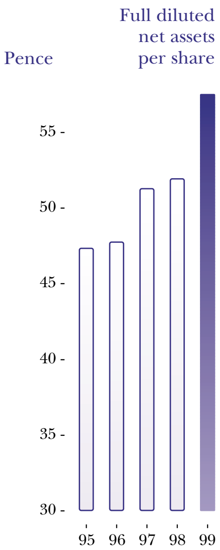
Financial calendar

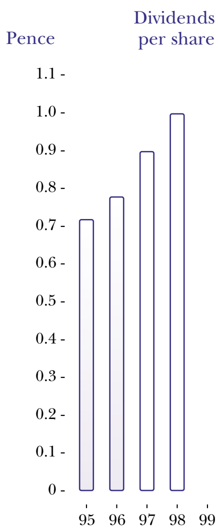
Wednesday 7 June 2000	Annual General Meeting
14 July 2000	Payment of final dividend for 1999 (if approved)
September 2000	Announcement of interim results to 30 June 2000
March 2001	Announcement of results for the year ended 31 December 2000

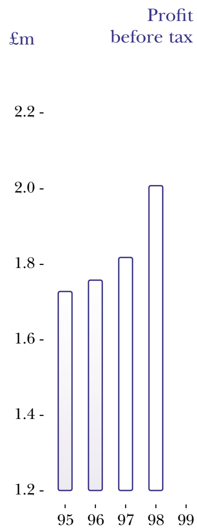

HOGSHEAD
Heineken

Following the purchase of Orchard Square our five large shopping centres now account for 62% of LAP's total property portfolio, a substantial increase from 50% last year. This dominance of larger centres will continue to grow as we pursue our strategy of disposing of smaller retail centres and precincts.

Michael Heller, Chairman







Financial highlights

Gross assets exceed £100m for the first time	
Fully diluted net asset value per share increases to 57.6p	+10.7%
Net assets increased to £46.6m	+12.3%
Contracted net annualised rent roll advances to £7.9m	+6.4%
Pre-tax profits rise to £2.1m	+5%
Final dividend of 1.1p per share recommended	+10%

London & Associated Properties PLC
is an equal opportunities employer

Chairman's statement

It is with great pleasure that I report a 10.7% increase in London & Associated Properties' net assets per share from 52.0p to 57.6p for the 12 months to 31st December 1999 with a 12.3% increase in total net assets to £46.6 million up from £41.5 million, including current asset investments at market value.

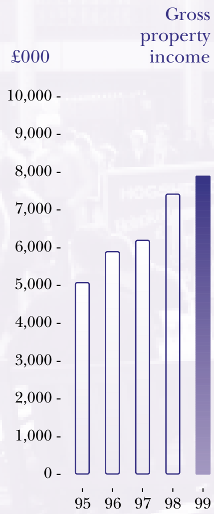
During the year LAP's gross rental income rose by over 6% to approaching £8 million a year while, more relevantly, we have contracted further annualised rental income of £365,000 a year. The net effect of this additional income, which does not include new acquisitions, will flow through to profits as rent free periods expire. Pre-tax profits, which are derived mainly from rental income, grew to £2.1 million compared with last year's £2.0 million.

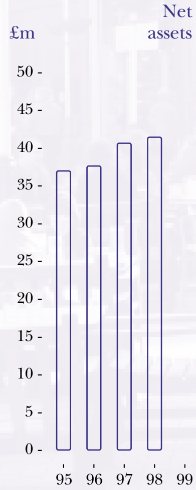
The Board is recommending a final dividend of 1.1p a share, an increase of 10% and I am pleased to record that the annual dividend growth over the past five years has been over 10% compound. The final dividend will be payable on 14th July 2000 to those shareholders on the register at 10th March 2000.

For the first time in the Company's history gross assets have exceeded the £100 million level and our property portfolio, comprising in-town shopping centres and precincts, has been independently valued at £96.1 million. This compares with £75.1 million in the previous year and reflects both net acquisitions during the year of £15.4 million and growth achieved through intensive management of our existing properties.

On a like-for-like basis the Company's property investments rose in value by over £5 million.

As a Group, gross assets, including those of our 42% owned associate Bisichi Mining plc and our 50% joint venture, Dragon Retail Properties Ltd, now stands at £115 million, of which property is some £107 million and generates more than £9 million a year in rental income. Almost 80% of our total rent roll is derived from multiples.





Demand for retail space across our portfolio remains strong and, as a result, there are few vacant units. Over the past year or so we have seen the emergence and rapid growth of a number of new retailing groups who are beginning to replace some of the more familiar but older established High Street outlets. Shareholders will have seen the extensive press coverage about the growth of e-commerce. While we monitor the situation closely, we have seen no real impact on demand for our units to date.

The highlight of 1999 was the acquisition of the Orchard Square Shopping Centre in Sheffield for £15.8 million. Producing gross rents of over £1.3 million a year, the centre occupies a 1.5 acre site in Sheffield's city centre and offers tremendous opportunity for both capital and income growth over the medium term.

Following the purchase of Orchard Square our five large shopping centres now account for 62% of LAP's total property portfolio, a substantial increase from 50% last year. This dominance of larger centres will continue to grow as we pursue our strategy of disposing of smaller retail centres and precincts. We have identified a number of smaller centres for sale and, in light of ongoing negotiations, I hope to report on progress in this area shortly.

In the year under review we completed a new £21 million loan facility from NatWest to finance the purchase of Orchard Square and to refinance some shorter term debt.

All our term borrowings have at least nine years unexpired, of which 53% are at variable rates. Our gearing, net of listed investments, is a comfortable 102%.

Dragon Retail Properties, our joint venture with Bisichi Mining, made excellent progress during the year with a number of key lettings as well as strong rental growth at its property in Bromsgrove. This led to an increase of 51% in its net asset value to £1.3 million. As shareholders know LAP manages the Dragon Retail Properties' portfolio.

Our results reflect the unstinting hard work of all my colleagues throughout the Group and, on behalf of both shareholders and the Board, I would like to express my thanks.

Over the coming year we will continue our intensive property management programme as we seek to generate greater value from our existing portfolio while disposing of some of our smaller assets which have reached maturity. At the same time we shall be looking to reinvest the proceeds of any sales into larger shopping centres which we consider to have good growth potential. Against this background I view the future with great confidence.

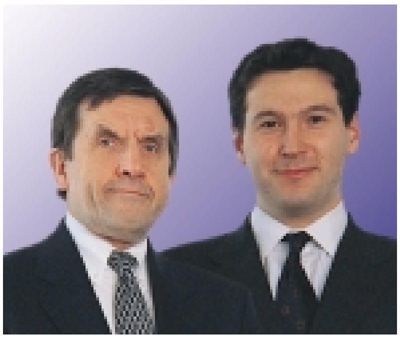
Michael Heller

Michael Heller
Chairman

28 February 2000

1999 was an extremely positive year for LAP. Growth has been underpinned by strong and consistent tenant demand for space within our centres, while values increased through strong investor demand for well located in- town shopping centres.

Operating review



The four principal centres that we owned for the whole year grew by 8.6%. Following the acquisition of Orchard Square, Sheffield, we now own five major shopping centres accounting for 62% of our entire portfolio. This compares with around 50% a year ago. This trend towards larger properties will continue as we dispose of smaller more mature centres and reinvest the proceeds into larger shopping centres with greater opportunities for medium term growth.

We continue to let units to those retailers who can be clearly categorised as part of the trend towards destination shopping. These include fashion retailers, niche retailers such as Claire's Accessories, and those other retailers who clearly form part of the experience of shopping as a recognised form of leisure.

Orchard Square, Sheffield

We acquired this freehold shopping centre which occupies a 1.5 acre site on Fargate, Sheffield's principal retail location, for £15.8 million last July. The centre provides a total of 30 retail units, extending to more than 104,000 sq ft built around a self-contained square. Anchored by TK Maxx, Waterstones and Virgin Megastore, Orchard Square currently produces over £1.3 million a year in rental income.

The centre was fully let at the time of purchase, although there are significant opportunities to reconfigure and extend the existing shops whilst improving the overall retail offer. We have already taken a surrender from one tenant which has enabled us to seek planning consent for the first of several large units that we intend creating within the centre.

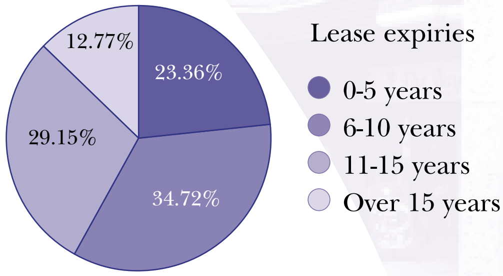
At Orchard Square there are significant opportunities to reconfigure and extend the existing shops whilst improving the overall retail offer

Sheffield

Christchurch

Operating review

It is our intention to pre-let these larger units before commencing construction, and I am pleased to report that retailer response to our proposals has been very positive reflecting the strong demand for bigger units in the prime Sheffield shopping area. Advanced negotiations are underway with a number of potential tenants and we expect to sign a lease agreement shortly.

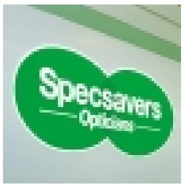


We also intend to make dramatic improvements to Orchard Square's visibility and branding. We are seeking consent to erect tall banners on the Fargate frontage and create a more prominent entrance to the centre. The retail offer in Sheffield as a city has significantly improved since the early 1990's and today there is substantial development within the prime retail areas. Orchard Square is ideally located to benefit from this improvement as underlined by a recent letting to The Gap in an adjacent building at the Orchard Square end of Fargate. This letting further confirms Orchard Square's prominent position in Sheffield's prime retail pitch and ensures that demand for our units will remain high.

Saxon Square, Christchurch
Demand for space at Saxon Square remains strong and in March we were able to offer a relatively large unit for letting for the first time since we acquired the property more than two years ago. Within weeks of offering the unit it was acquired by a large regional multiple at double the previous passing rent and at a Zone A rate of £41 a sq ft. This unit is to the rear of the scheme suggesting that the more sought after shops at the front, where the historic Zone A rate is only £34 a sq ft, are under rented. Although the centre is currently fully let, demand for prime units remains strong and we are confident that the scheme will continue to grow over the medium term.

Although Saxon Square is currently fully let, demand for prime units remains strong

Operating review



King's Square, West Bromwich
The most notable activity at King's Square, which is fully let, was the relocation of an existing tenant, Bewise, into a substantially larger unit where we had agreed a surrender of a lease to Kwik Save. Bewise agreed a near 30% increase in the rental of this unit to £95,000 a year.

We are currently dividing the former Bewise unit into three shops at a cost of £100,000. All of these new shops are under offer confirming the demand for prime space in the centre. The total estimated rental value of the three units is more than £100,000 a year compared to the £84,000 a year that we were receiving. In total therefore, the incremental rent from this transaction will be over £39,000 a year.

Over the course of the year we have seen a further hardening of Zone A rentals as we have concluded a number of lease renewals. By the year end Zone A levels were confirmed at £59.50 a sq ft, following the latest lease renewal, compared to £58 a year ago. We believe there is further growth to come through at King's Square and we are aware of significant demand from retailers for space at the centre.

We believe there is further growth to come through at King's Square and we are aware of significant demand from retailers for space at the centre

West Bromwich

Bletchley

Operating review

Brunel Centre, Bletchley
The main concourse at the Brunel Centre is now fully let apart from one small kiosk, which is under offer. Over the past year this centre has performed especially well as we concluded lettings with a number of new tenants. These include Ethel Austin, the fashion multiple, which is trading from a 3,000 sq ft unit, and Benson Shoes which has leased a 2,000 sq ft unit.

The impact of the successful letting programme during 1999 has meant that the Centre is becoming far more popular with shoppers. The number of car-borne shoppers, which we monitor weekly, has increased by 12% over the comparable period a year ago.

We can also report that Woolworth has signed an agreement to lease for a 12,000 sq ft store on the former Wetherburn Court site. Disappointingly, we were refused planning permission for the unit that we had designed for them. However, we intend to appeal this decision and hope to report further progress to shareholders in the near future.

Demand for shops within our smaller retail investments has also been pleasing over the year and we have been able to capitalise on the hard work we have been applying to these schemes during the past 18 months. Following the 1998 letting to the Post Office in the Moor Centre, Brierley Hill, we have leased space to Grattan plc for a catalogue shop, as well as to a Midlands-based chain of newsagents, and to a new café. We have also relocated certain tenants within the scheme to enable reconfiguration of several units to create additional space for which we know there is demand.

Over the past year, the Brunel Centre centre has performed especially well as we concluded lettings with a number of new tenants

Operating review

Following a letting to Benson Shoes The Mall is now fully let on two of its three malls

At Barnsley, South Yorkshire, following the letting of a triple unit to a theme bar operator, we have refurbished and let the entire upper parts to Barnsley City Council at an annual rent of £103,000. To achieve the letting we had to create a new entrance to the offices by removing one of the shops, yet we have still achieved an increase in rent over the original estimated rental value of both the offices and the shop, of more than £45,000 a year.

The Mall, Dagenham
A number of key lettings at The Mall together with several tenants refurbishing their shops have contributed to a much higher level of traffic in the centre. Following a letting to Benson Shoes the scheme is now fully let on two of its three malls and we are looking to reconfigure two of the larger units in the third mall to create more regular, and, hence, more lettable, units. Tenant response to these proposed units has been good, with one new unit already under offer, and we expect to make further letting progress during the course of the next few months.

We are now reaping the benefits of our refurbishment programme at Hebburn, South Tyneside, where we have added nearly 10% to the rent roll through new lettings, mostly to national retailers. This, combined with a number of successful lease renewals, has resulted in capital growth at this centre of over 11%.

We continue to look to dispose of centres that no longer meet our investment criteria. In addition to completing the sale of a small mature block of shops in Wolverhampton we are at an advanced stage of negotiation to sell a number of smaller retail investments and we hope to make further announcements shortly.

John Heller

John Heller
Executive Director

M. Dignan

Mike Dignan
Property Director

28 February 2000

Dagenham

Finance director's report

As shareholders will know, it is LAP's declared policy to finance our property acquisitions with longer-term debt. To this end, we agreed in July a new £21 million loan for a term of 10 years to both purchase Orchard Square and to refinance an existing five year loan. This new loan carries a lower margin than the one that it replaces which will have a positive impact on profits.

Our term debt stands at £48.1 million with 53% at variable rates. We constantly monitor the long term fixed rate debt market, and it remains our policy to fix rates for the longer term when we consider it appropriate. However, during the course of 1999, the relative cost of fixing rates was not attractive.

It is not the Group's intention to repay any of the fixed-rate debt prior to maturity. However, an adjustment under FRS13 has a notional impact of 3.96p per share, or £3.02 million.

The new loan for the acquisition of Orchard Square increased gearing, net of listed investments, to 102% (1998: 80%). This is a level with which your board feels comfortable, particularly in light of rental income covering interest payable by 2.12 times (1998: 2.01 times).

Profit and Loss

We have continued our conservative policy of writing off all property expenses to the Profit and Loss Account in the year in which they are incurred.

The tax rate for the year was 25.3% (1998: 23.5%). We continue to benefit from capital allowances, which have reduced the tax charge from the standard Company rate of 30.25%. These benefits will continue for the coming year.

Balance Sheet

Our associate company, Bisichi Mining, in which we have a 42% stake, announced a loss for the year of £263,000 before tax and after minority interests (1998: £215,000 profit). This is a result of geological difficulties in its coal mining subsidiary. We are confident that this is a temporary setback; Bisichi has already acquired new reserves and this, coupled with the increased levels of production already being achieved, should return the direct mining activity to profit shortly. In the meantime, the performance of the property portfolio, which we manage on Bisichi's behalf and for which we receive a fee, has been very good with an increase in the value of the portfolio of 5%, net of acquisitions.

Upper parts at Barnsley let to local authority at £103,000 p.a. following refurbishment

Dragon Retail Properties, our joint venture with Bisichi, performed particularly strongly. Net assets grew by 51% on the back of several key lettings on and around the High Street in Bromsgrove, Worcestershire, where Dragon's main asset is located. These lettings were to excellent covenants as well as at record rents.

Our equity portfolio performed strongly and its market value rose to £3.8 million (1998: £3.1 million). Shareholders will be aware that these holdings consist entirely of investments in fully listed UK companies, almost exclusively in FTSE 350. As a result they are extremely liquid, and can be treated as virtual cash.

Robert Corry

Robert Corry
Finance Director 28 February 2000

Directors and advisors

Directors

★ **Michael A Heller** MA FCA *(Chairman)*

*† **Patrick S Hawkings** FCA *(Non-executive)*
Chairman of the remuneration committee. He practised as a chartered accountant for many years in the City of London, and was an executive director of the company for twenty years.

† **L C John Brown** FCA *(Non-executive)*
Chairman of the audit committee. He practised as a chartered accountant for many years, both in the United Kingdom and the United States of America.

Robert J Corry BA FCA

† **Howard D Goldring** BSC (ECON) ACA *(Non-executive)*
Global investment strategist, formerly of Allied Dunbar. He is now principal of Alberon Associates and a director of Delmore Asset Management Limited. He is also a non-executive director of Liverpool Victoria Asset Management Limited.

John A Heller LLB MBA

† **Barry J O'Connell** *(non-executive)*
Retired as chief executive of KP Foods, part of United Biscuits (Holdings) PLC, in 1991 and is currently chairman The Snack Factory Limited.

Michael C Stevens FCA

Secretary and registered office
Michael C Stevens FCA
8-10 New Fetter Lane, London EC4A 1AF

Director of property
Mike J Dignan FRICS

Auditors
Baker Tilly

Principal bankers
Barclays Bank PLC
HSBC Bank PLC
National Wesminster Bank PLC
Royal Bank of Scotland PLC

Solicitors
Clifford Chance
Charles Russell
Dickinson Dees, Newcastle-upon-Tyne
Hardwick Stallards, London
Kuit, Steinart, Levy & Co, Manchester
Pinsent Curtis, Leeds
Wragge & Co, Birmingham

Stockbrokers
Credit Lyonnais Securities Europe

Registrars and transfer office
IRG plc
34 Beckenham Road, Beckenham, Kent BR3 4TU
Telephone 020 8650 4866

Company registration number
341829 (England and Wales)

Website
www.laprops.co.uk

E-mail
Admin@laprops.co.uk

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

Directors' report

The directors submit their report and the audited accounts, for the year ended 31 December 1999.

Activities

The company is a property investment company, deriving income primarily from rents, and from dividends, trading listed investments, and its share of results of the associated and joint venture companies. The company holds 42 per cent of the issued ordinary share capital of Bisichi Mining PLC which operates in England and South Africa, and is listed on the London Stock Exchange. The Bisichi Group is involved in overseas mining and mining finance, UK retail property investment and investment in listed securities. The review of activities during the year is contained in the Chairman's statement, and the results for the year are shown in the consolidated profit and loss account on page 24.

Dividends and shares

The directors recommend the payment of a final dividend for 1999 of 1.1p per ordinary share (1998 – 1p). The final dividend will be payable on 14 July 2000 to shareholders registered at the close of business on 10 March 2000. As in past years, it will be proposed that shareholders are granted the opportunity of electing to receive all or part of the final dividend in the form of fully paid ordinary shares rather than cash. During the year 589,116 new shares were issued to shareholders who elected to receive shares in lieu of cash for their dividend for 1998.

Investment properties

Ninety six per cent of the investment property portfolio was externally revalued as at 31 December 1999 by two professional firms of chartered surveyors – Allsop & Co., London (88.2 per cent of the portfolio), and Hill Woolhouse, Leeds (7.9 per cent) and the remaining properties were valued by the directors. The valuations, which are reflected in the financial statements, amount to £95.9 million (1998 – £75.1 million). The revaluation reserve was increased by £3.54 million (1998 – £0.39 million).

Directors

M A Heller, L C J Brown, R J Corry, H D Goldring, P S Hawkings, J A Heller, B J O'Connell and M C Stevens were the directors of the company throughout the year. P S Hawkings and M C Stevens are retiring by rotation and offer themselves for re-election. Brief details of the directors offering themselves for re-election at the Annual General Meeting are as follows:

Patrick Hawkings has been a director since 1974 and has a contract of service determinable at three months notice. He is a chartered accountant and is the senior independent director. He is chairman of the remuneration committee, and a member of the audit and nomination committees.

Michael Stevens has been the company secretary since 1985. He was appointed to the board in 1986 and has a contract of employment determinable at six months notice. He is a chartered accountant and is responsible for accounting, administration and information technology.

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 99	**1 Jan 99**	**31 Dec 99**	**1 Jan 99**
M A Heller	4,871,757	5,675,757	18,034,778	17,672,452
L C J Brown	50,775	50,775	–	–
R J Corry	2,807	2,714	–	–
H D Goldring	2,000	2,000	–	–
P S Hawkings	210,395	210,395	–	–
J A Heller	1,000,000	1,000,000	*13,034,778	*12,600,286
B J O'Connell	100,990	97,624	–	–
M C Stevens	298,434	298,434	†277,153	†267,915

*These non-beneficial holdings are duplicated with those of M A Heller.
†The non-beneficial interest of M C Stevens arises by reason of his being a director of London & Associated Securities Limited, a company which acts as a trustee.

No director had any material interest in any contract or agreement with the group during the year other than as shown in this report.

No changes in these holdings have taken place since the balance sheet date.

Directors' report *(continued)*

Substantial shareholdings

M A Heller and his family have an interest in 40,649,331 shares of the company, representing 53.22 per cent of the issued share capital. The Prudential Assurance Group holds £580,000 10½ per cent convertible debenture stock 2010, and assuming full conversion it would then hold 4,640,000 shares representing 5.7 per cent of the enlarged issued share capital.

In addition, the Prudential held 1,379,998 shares in the company at 31 December 1999, being a non-notifiable interest. There have been no material changes to these holdings since the balance sheet date.

Remuneration committee

The company has given full consideration to the best practice provisions relating to remuneration committees as set out in The Combined Code annexed to the Listing Rules of the London Stock Exchange. The remuneration committee is comprised wholly of non-executive directors of the company, namely P S Hawkings (Chairman of the committee), L C J Brown, H D Goldring and B J O'Connell.

The principal function of the remuneration committee is to determine, on behalf of the board, the remuneration and other benefits of the executive directors and senior executives, including pensions, share options and service contracts.

The company's policy is to ensure that the executive directors, apart from the chairman, are rewarded competitively in relation to other companies in order to retain and motivate them.

The emoluments of each executive director comprises basic salary, profit related pay, provision of a car, premiums paid in respect of individual defined contribution pension arrangements, health insurance premium and share options. The remuneration of non-executive directors is determined by the board, and takes into account additional remuneration for services outside the scope of the ordinary duties of non-executive directors.

No pension costs are paid on their behalf.

All executive directors have full time contracts of employment with the company. Non-executive directors have contracts of service. No director's contract of employment or contract of service with the company, or its associated or joint venture companies, exceeds twelve months.

Directors' remuneration

	Salary £'000	Pension Contribution £'000	Benefits £'000	**Total 1999 £'000**	Total 1998 £'000
Chairman					
M A Heller	6	–	23	**29**	26
Executive directors					
R J Corry	123	12	9	**144**	132
J A Heller	85	–	11	**96**	* 59
M C Stevens	90	9	10	**109**	98
Total executive remuneration	304	21	53	**378**	315

*from appointment on 2 March 1998.

Salaries include payments under the company's Inland Revenue approved Profit Related Pay scheme.

Two directors have benefits accruing under money purchase pension schemes (1998 – 2).

	Board Fees £'000	Benefits £'000	**Total 1999 £'000**	Total 1998 £'000
Non-executive directors				
L C J Brown	9	–	**9**	6
H D Goldring	12	6	**18**	19
P S Hawkings	12	–	**12**	10
B J O'Connell	12	–	**12**	10
	45	**6**	**51**	45
Total remuneration for directors' service during the year			**429**	360

Directors' report *(continued)*

Share option schemes

The company has two share option schemes – one is an Inland Revenue approved scheme, and the second is an unapproved scheme. Executive directors have options to subscribe for ordinary shares under the two schemes as follows:

Approved Scheme

	Option price	Number of share options 1 Jan 99	Granted in 1999	31 Dec 99	Exercisable from	to
R J Corry	28.5p	210,000	–	210,000	28 May 1996	27 May 2003
R J Corry	42.5p	190,000	–	190,000	10 May 1997	9 May 2004
M C Stevens	28.5p	50,000	–	50,000	28 May 1996	27 May 2003
M C Stevens	38.5p	27,900	–	27,900	14 May 2000	13 May 2007
M C Stevens	21.75p	50,000	–	50,000	6 Nov 2001	5 Nov 2008

Unapproved Scheme

	Option price	1 Jan 99	Granted in 1999	31 Dec 99	Exercisable from	to
R J Corry	25.66p	–	200,000	200,000	8 March 2002	7 March 2009
J A Heller	25.66p	–	200,000	200,000	8 March 2002	7 March 2009
M C Stevens	25.66p	–	50,000	50,000	8 March 2002	7 March 2009

No options were exercised by directors during 1999.

The middle market price of London & Associated Properties PLC ordinary shares at 31 December 1999 was 27p.

The board's policy is to grant options to executive directors, managers and staff at appropriate times to provide them with an interest in the longer term development of the group.

Payment of suppliers

The company and the group agree the terms of contracts when orders are placed. It is group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions.

Trade creditors outstanding at the year end represent 22.6 days (1998 – 20.6 days) annual trade purchases.

Year 2000

The group's information technology systems successfully rolled over to the new millennium following the preparations which were reported last year. No additional costs were incurred.

Corporate governance

Throughout the year the company has complied with the Combined Code for Corporate Governance except in respect of the division of the duties of chairman and chief executive. Your board has carefully considered the division of these duties and has concluded that given the present size of the group it would not be appropriate to divide these duties between two directors.

The audit and remuneration committees consist entirely of non-executive directors, and the nomination committee consists of non-executive directors plus the Chairman. The membership of the committees is set out on page 15.

Directors' report *(continued)*

Internal control

The Combined Code has introduced a requirement that directors review the effectiveness of the Group's system of internal controls. This requirement extends the Directors' review to cover all controls covering operations and risks, as well as financial controls. The Turnbull report "Internal Control Guidance for Directors on the Combined Code" was published in September 1999.

The Directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal financial controls in accordance with the ICAEW's 1994 guidance Internal Control and Financial Reporting.

The board have reviewed control procedures necessary to implement the Turnbull guidance, such that they can fully comply with it for the accounting period ending on 31 December 2000.

The board is responsible for the effectiveness of the group's system of internal controls.

The board approves financial budgets and cash flow forecasts annually for the forthcoming year, and performance is closely monitored against such budgets and forecasts by means of weekly cash reports and monthly management accounts which are reviewed at monthly board meetings. The board have made arrangements for regular inspections of the company's tangible assets, and for insurance of those assets. The company's investments and other tangible assets are regularly reviewed by the board.

The board and audit committee have considered reports from the executive directors on internal control, and observations by the external auditors and other professional advisors are invited and are carefully considered.

No system of internal control can provide absolute assurance against material misstatement or loss. However the directors, having reviewed the systems of internal control, believe these systems provide reasonable assurance that the assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or would be detected within a timely period.

Disapplication of Section 89, Companies Act 1985

The Companies Act 1985 provides that if the directors wish to issue new securities for cash, they must be offered to current holders of shares in proportion to the number of shares they each hold at that time. The existing authority disapplying this pre-emption right conferred by a special resolution at last year's Annual General Meeting is soon to expire and therefore it is proposed that the existing authority is renewed at the forthcoming Annual General Meeting as set out in **Resolution 7** in the notice of Annual General Meeting on page 42. **Resolution 7** authorises the directors to allot for cash ordinary shares to be issued in connection with rights issues and generally otherwise than in accordance with statutory pre-emption rights up to an aggregate nominal value of £381,900 which is equivalent to 5 per cent of the issued ordinary share capital as at 31 December 1999 (and 5 per cent of the issued ordinary share capital as at 28 February 2000). The proposed authority will expire at the conclusion of the next Annual General Meeting and in any event will terminate not later than 15 months after the passing of the resolution.

Scrip dividend

In **Resolution 8** at the Annual General Meeting the company is seeking authority for the directors to exercise the power contained in the Articles of Association to permit the shareholders to elect to receive shares instead of all or part of the final dividend and to capitalise the appropriate amount of additional ordinary shares falling to be allotted pursuant to the election out of the distributable profits of the company which would have been distributed to members by way of cash dividend.

Directors' report *(continued)*

Purchase of own ordinary shares

The effect of **Resolution 9** to be proposed at the Annual General Meeting would be to give the company, for a period of one year, a general authority to purchase a maximum of 3,819,002 of its own Ordinary Shares of 10 pence each (representing approximately 5 per cent of the company's issued share capital). The minimum price (exclusive of expenses) which the company would be authorised to pay for each Ordinary Share would be 10 pence (the nominal value of each Ordinary Share). The maximum price (again exclusive of expenses) which the company would be authorised to pay would be not more than 5 per cent above the average middle market value (as derived from the London Stock Exchange Daily Official List) for such Ordinary Share for the ten business days preceding the purchase.

If granted the authority would only be exercised if to do so would result in an increase in earnings per share or asset values per share and would be in the best interests of shareholders generally.

Going concern

The directors confirm that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the accounts.

Other matters

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

Baker Tilly have expressed their willingness to continue in office as auditors. A proposal will be made at the Annual General Meeting for their re-appointment.

By order of the board

M C Stevens
Secretary

8-10 New Fetter Lane
London EC4A 1AF
28 February 2000

Directors' responsibility statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for the year.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then to apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report to the shareholders of London & Associated Properties PLC

We have audited the financial statements on pages 24 to 41 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 28 and 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 21, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, The Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statements on pages 18 to 20 reflect the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or the group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditors
28 February 2000

2 Bloomsbury Street
London WC1B 3ST

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 1999 by the company as detailed in our Valuation Report dated 10 February 2000.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 1999 of these interests was:

	£000
Freehold	39,755
Leasehold	44,810
	84,565

London
10 February 2000

Allsop & Co.
Chartered Surveyors

To the Directors of London & Associated Properties PLC

In accordance with your instructions we have carried out a valuation of the freehold and leasehold property interests held as at 31 December 1999 by the company as detailed in our Valuation Report dated 10 February 2000.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 1999 of these interests was:

	£000
Freehold	6,291
Leasehold	1,300
	7,591

Leeds
10 February 2000

Hill Woolhouse
Chartered Surveyors

Consolidated profit & loss account

for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
Revenue:			
Property:			
Income	1	**7,911**	7,438
Less – ground rents		**(406)**	(396)
– direct property expenses		**(901)**	(820)
– attributable overheads	2	**(1,330)**	(1,233)
		5,274	4,989
Listed investments:			
Investment sales		**619**	951
Cost of sales		**(381)**	(656)
		238	295
Dividends receivable		**113**	125
Less – attributable overheads	2	**(12)**	(10)
		339	410
Operating profit	1	**5,613**	5,399
Share of operating profit of associate	1	**1**	90
Share of operating profit of joint venture	1	**113**	14
		5,727	5,503
Interest receivable		**48**	96
Interest payable	4	**(3,665)**	(3,584)
Exceptional items	5	**(10)**	(1)
Profit on ordinary activities before taxation		**2,100**	2,014
Taxation on profit on ordinary activities	6	**531**	474
Profit on ordinary activities after taxation		**1,569**	1,540
Dividend	7	**840**	758
Retained profit for the year	19	**729**	782
Earnings per share – basic	9	**2.06p**	2.04p
– fully diluted	9	**1.98p**	1.96p
Dividend per share	7	**1.10p**	1.00p

The revenue and operating profit for the year derives from continuing operations.

Balance sheets

at 31 December 1999

		Group		Company	
		1999	1998	**1999**	1998
	Notes	**£000**	£000	**£000**	£000
Fixed Assets					
Tangible assets	10	**96,273**	75,614	**96,273**	75,614
Investments	11	**3,294**	3,053	**547**	547
		99,567	78,667	**96,820**	76,161
Current assets					
Debtors	12	**1,485**	1,292	**1,485**	1,292
Investments at cost	13	**2,451**	2,422	**2,451**	2,422
(**Market value £3,773,000** (1998 – £3,138,000))					
Bank balances		**1,085**	2,066	**1,085**	2,066
		5,021	5,780	**5,021**	5,780
Creditors					
Amounts falling due within one year	14	**(11,121)**	(9,174)	**(11,135)**	(9,188)
Net current liabilities		**(6,100)**	(3,394)	**(6,114)**	(3,408)
Total assets less current liabilities		**93,467**	75,273	**90,706**	72,753
Creditors					
Amounts falling due after more than one year	15	**(48,121)**	(34,335)	**(48,121)**	(34,335)
Provisions for liabilities and charges	17	**(94)**	(111)	**(94)**	(111)
Net assets		**45,252**	40,827	**42,491**	38,307
Capital and reserves					
Share capital	18	**7,638**	7,579	**7,638**	7,579
Share premium account	19	**3,912**	3,809	**3,912**	3,809
Capital redemption reserve	19	**15**	15	**15**	15
Revaluation reserve	19	**23,211**	19,825	**21,265**	18,285
Other reserves	19	**429**	429	**–**	–
Retained earnings	19	**10,047**	9,170	**9,661**	8,619
Shareholders' funds		**45,252**	40,827	**42,491**	38,307

These financial statements were approved by the board of directors on 28 February 2000 and signed on its behalf by:

M A Heller
M C Stevens
Directors

Consolidated statement of total recognised gains and losses

for the year ended 31 December 1999

	1999 £000	1998 £000
Profit for the financial year	**1,569**	1,540
Currency translation difference on foreign currency net investments of associate	**(2)**	(41)
Increase on revaluation of investment properties		
Company	**3,130**	347
Associate and joint venture	**406**	45
Total gains and losses recognised in the year	**5,103**	1,891

Note of historical cost profits and losses

for the year ended 31 December 1999

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	**2,100**	2,014
Share of realisation of property revaluation gains of previous years		
Company	**150**	756
Historical cost profit on ordinary activities before tax	**2,250**	2,770
Retained historical cost profit for the year	**879**	1,538

Reconciliation of movement in shareholders' funds

for the year ended 31 December 1999

	1999 £000	1998 £000
Profit for the financial year	**1,569**	1,540
Dividend	**(840)**	(758)
Retained profit for the year	**729**	782
Associate's currency translation difference on foreign currency net investments	**(2)**	(41)
Unrealised changes on revaluation of investment properties	**3,536**	392
Shares issued	**59**	43
Shares purchased	**–**	(49)
Share premium account movements	**103**	99
	4,425	1,226
Shareholders' funds at 1 January 1999	**40,827**	39,601
Shareholders' funds at 31 December 1999	**45,252**	40,827

Consolidated cash flow statement

for the year ended 31 December 1999

	Notes	1999 £000	1999 £000	1998 £000	1998 £000
Net cash inflow from operating activities	20a		**6,636**		6,132
Returns on investments and servicing of finance					
Interest received		**44**		53	
Interest paid		**(3,559)**		(3,628)	
Net cash outflow from returns on investments and servicing of finance			**(3,515)**		(3,575)
Taxation					
Corporation tax			**(111)**		(151)
Capital expenditure and financial investment					
Sale of fixed asset investments		–		1	
Redemption of fixed asset investment		–		3	
Sale of properties		**391**		1,605	
Sale of office equipment and motor cars		–		9	
Purchase of properties		**(17,640)**		(1,292)	
Purchase of office equipment and motor cars		**(44)**		(105)	
Net cash (outflow) inflow for capital expenditure and financial investment			ˇ‡ˇ‡ˇ‡ˇ‡ˇ‡ˇ‡ˇ‡ˇ‡		**(17,293)**
221					
Equity dividends paid			**(591)**		(532)
Net cash (outflow) inflow before use of liquid resources and financing			**(14,874)**		2,095
Net cash outflow from management of liquid resources					
Repayment of short term loan from joint venture			–		(810)
Financing					
Purchase of share capital		–		(49)	
Issue expenses		**(5)**		(6)	
Drawdown of bank loan		**14,000**		–	
Net cash inflow (outflow) from financing			**13,995**		(55)
(Decrease) increase in cash in the period			**(879)**		1,230

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
(Decrease) increase in cash in the period		**(879)**	1,230
Net cash inflow from increase in debt		**(14,000)**	–
		(14,879)	1,230
Other movements on current asset investments		**29**	4
Movement in net debt in the period		**(14,850)**	1,234
Net debt at 1 January 1999		**(33,886)**	(35,120)
Net debt at 31 December 1999	20b	**(48,736)**	(33,886)

Accounting policies

The following are the main accounting policies of the group:

Accounting convention
The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and are prepared in accordance with applicable accounting standards. The accounting policies adopted have been consistently applied in both 1998 and 1999.

Basis of consolidation
The consolidated financial statements comprise:
(a) The financial statements of the company and its three subsidiaries made up to 31 December.
(b) The group's share of the results of its associate and joint venture for the year ended 31 December, and of their net assets at the balance sheet date.

Revenue
Revenue comprises rental income, listed investment sales, dividends and other income.

Dividends receivable
Dividends are credited to the profit and loss account when the dividend is received.

Accounting policies *(continued)*

Tangible fixed assets

(a) Investment properties

(i) The investment property portfolio is included in the financial statements at open market valuation. An external professional valuation is carried out at least every five years, but is currently carried out every year. In accordance with SSAP 19 no amortisation or depreciation is provided in respect of freehold or long leasehold properties. This is not in accordance with the requirements of the Companies Act 1985, but is necessary in order to show a true and fair view.

(ii) The cost of improvements includes attributable interest – Notes 4 and 10.

(b) Other tangible fixed assets

Depreciation is provided on all other tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life. The rates generally used are – office equipment – 10 to 20 per cent per annum, and motor cars - 20 per cent per annum, on the straight line basis.

Investments

(a) Investments held as fixed assets:

These comprise investments in, Bisichi Mining PLC (listed associate), and Dragon Retail Properties Limited (unlisted joint venture) and in unlisted companies which are all held for the long term. Details of the investments in Bisichi Mining PLC and Dragon Retail Properties Limited are set out in Note 11.

(b) Investments held as current assets:

(i) These comprise listed investments which are stated at the lower of cost or net realisable value, on a portfolio basis.

(ii) Net profits or losses on realisation of these investments are carried to the profit and loss account as part of the operating profit.

Deferred taxation

Taxation deferred or accelerated by the effect of timing differences is accounted for on the liability method to the extent that it is probable that a liability will crystallise.
No provision is made for the taxation which might arise if investment properties were to be realised at their book values at the balance sheet date as the properties are held as long-term investments. The potential liability is set out in the provision for liabilities and charges note to the financial statements.

Operating leases

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, subject to the provisions of UITF 12.

Pensions

The company has several defined contribution pension schemes. Premiums are charged to the period in which they accrue. The company does not operate any defined benefit schemes.

Notes to the financial statements

31 December 1999

1 Segmental analysis

	Revenue		Operating profit		Net operating assets	
	1999	1998	**1999**	1998	**1999**	1998
	£000	£000	**£000**	£000	**£000**	£000
Property	**7,911**	7,438	**5,274**	4,989	**40,852**	36,204
Listed investments	**732**	1,076	**339**	410	**2,451**	2,422
Fixed asset investments	**–**	–	**–**	–	**16**	16
Net non-operating liabilities	**–**	–	**–**	–	**(1,345)**	(852)
Group total	**8,643**	8,514	**5,613**	5,399	**41,974**	37,790
Share of associate	**1,305**	1,272	**1**	90	**2,642**	2,617
Share of joint venture	**140**	33	**113**	14	**636**	420
Group, associate and joint venture	**10,088**	9,819	**5,727**	5,503	**45,252**	40,827

2 Attributable overheads

	1999	1998
	£000	£000
Attributable overheads have been allocated to the appropriate operating activity, and include:		
Depreciation on tangible fixed assets	**107**	98
Auditors' remuneration – audit fee	**26**	20
– other fees	**1**	1
Operating lease rentals – land and buildings	**114**	114

3 Directors' emoluments

	1999	1998
	£000	£000
Remuneration	**51**	45
Other emoluments	**378**	315
	429	360

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

Notes to the financial statements

31 December 1999 (continued)

4 Interest payable

	1999 £000	1998 £000
On borrowings of 5 years and less		
Interest on loans and overdrafts	157	323
Other interest payable	13	8
Less: attributable to property improvement	(74)	(125)
	96	206
Associate	86	88
Joint venture	95	24
	277	318
On borrowings of more than 5 years		
Debenture stocks	2,208	2,211
Long term bank loan	1,180	1,055
	3,388	3,266
Total interest payable	3,665	3,584

5 Exceptional items

	1999 £000	1998 £000
Profit (loss) on sale of:		
Freehold property	17	(72)
Investment	–	1
	17	(71)
Associate-investment	(27)	70
	(10)	(1)

6 Taxation

	1999 £000	1998 £000
Based on the results of the year:		
Corporation Tax at 30 per cent (1998 – 31 per cent)	496	315
Tax attributable to franked investment income	22	35
Deferred taxation (Note 17)	(17)	111
Adjustment in respect of previous years	–	(9)
	501	452
Associate	26	19
Joint venture	4	3
	531	474

The tax charge for both 1999 and 1998 has also been reduced due to the effect of accelerated capital allowances.

Notes to the financial statements

31 December 1999 (continued)

7 Dividends

		1999		1998
	Per share	**£000**	Per share	£000
Proposed final	**1.10p**	**840**	1.00p	758

8 Profit attributable to London & Associated Properties PLC

	1999	1998
	£000	£000
Dealt with in the financial statements of:		
London & Associated Properties PLC	**892**	739
Associate	**(179)**	32
Joint venture	**16**	11
	729	782

In accordance with the exemption conferred by Section 230(3) of the Companies Act 1985, the company has not presented its own profit and loss account.

9 Earnings per share

Earnings per share have been calculated as follows:–

	Earnings		Shares in issue		Earnings per share	
	1999	1998	**1999**	1998	**1999**	1998
	£000	£000	**'000**	'000	**Pence**	Pence
Group profit on ordinary activities after tax	**1,569**	1,540				
Weighted average share capital for the year			**76,060**	75,631		
Basic earnings per share	**1,569**	1,540	**76,060**	75,631	**2.06**	2.04
Adjustments:						
Conversion of debenture stock	**43**	43	**4,640**	4,640		
Issue of outstanding share options	**25**	19	**1,777**	1,346		
Fully diluted earnings per share	**1,637**	1,602	**82,477**	81,617	**1.98**	1.96

Notes to the financial statements

31 December 1999 (continued)

10 Tangible fixed assets

Group and company	Total £000	Investment properties Freehold £000	Investment properties Long leasehold £000	Office equipment and motor vehicles £000
Cost or valuation at 1 January 1999	75,960	30,350	44,775	835
Increase on revaluation	3,130	468	2,662	–
Additions	18,032	17,706	293	33
Disposals	(396)	(396)	–	–
Cost or valuation at 31 December 1999	**96,726**	**48,128**	**47,730**	**868**
Representing assets stated at:				
Valuation	95,858	48,128	47,730	–
Cost	868	–	–	868
	96,726	**48,128**	**47,730**	**868**
Depreciation at 1 January 1999	346	–	–	346
Charge for the year	107	–	–	107
Depreciation at 31 December 1999	**453**	–	–	**453**
Net book value at 1 January 1999	75,614	30,350	44,775	489
Net book value at 31 December 1999	**96,273**	**48,128**	**47,730**	**415**

Ninety six per cent of freehold and long leasehold properties were valued as at 31 December 1999 by external professional firms of chartered surveyors, the balance being valued by the directors. The valuations were made at open market value on the basis of existing use. The increase in book value was transferred to revaluation reserve.

	£000
Allsop & Co, Chartered Surveyors	**84,565**
Hill Woolhouse, Chartered Surveyors	**7,591**
Directors' valuations	**3,702**
	95,858

The historical cost of investment properties, including total capitalised interest of £640,000 (1998 – £566,000) was as follows:

	Freehold £000	Long leasehold £000
Cost at 1 January 1999	18,769	38,071
Additions	17,706	293
Disposals	(246)	–
Cost at 31 December 1999	**36,229**	**38,364**

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

Notes to the financial statements

31 December 1999 (continued)

11 Investments

Group	Total £000	Investment in associate £000	Investment in joint venture £000	Unlisted investments Shares £000	Unlisted investments Loan stock £000
Cost or valuation at 1 January 1999	3,053	2,617	420	7	9
Increase in share of assets of associate and joint venture	241	25	216	–	–
Cost or valuation at 31 December 1999	**3,294**	**2,642**	**636**	**7**	**9**

Company	Total £000	Shares in subsidiary companies £000	Shares in associate £000	Shares in joint venture £000	Unlisted investments Shares £000	Unlisted investments Loan stock £000
Cost at 1 January 1999 and 31 December 1999	**547**	**9**	**358**	**164**	**7**	**9**

Subsidiary companies

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

- Analytical Investment Advisors Limited
- London & African Investments Limited
- London & Associated Securities Limited
- London & Associated Limited

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

	1999 £000	1998 £000
Associate		
Bisichi Mining PLC – listed mining and property investment company		
Group share of:		
Turnover	**1,305**	1,272
(Loss)Profit before tax	**(221)**	87
Taxation	**(26)**	(18)
(Loss)Profit after tax	**(247)**	69
Fixed assets	**3,983**	3,453
Current assets	**378**	333
Liabilities due within one year	**(863)**	(636)
Liabilities due in over one year	**(856)**	(533)
Net assets	**2,642**	2,617

The company owns 42 per cent (1998 – 42 per cent) of the issued share capital of Bisichi Mining PLC, a company registered in England and Wales. Bisichi Mining has issued share capital of 10,451,506 ordinary shares of 10p each, and its principal countries of operation are the United Kingdom (property investment) and South Africa (coal mining). The company has an independent board of directors which controls its operating and financial policies.

The market value of this investment at 31 December 1999 was £1,284,947 (1998 – £1,176,000).

Notes to the financial statements

31 December 1999 (continued)

11 Investments *continued*

	1999 £000	1998 £000
Joint venture		
Dragon Retail Properties Limited – unlisted property investment company.		
Group share of:		
Turnover	**140**	33
Profit before tax	**19**	15
Gross assets	**1,989**	1,773
Gross liabilities	**(1,353)**	(1,353)
Net assets	**636**	420

The company owns 50 per cent of the issued share capital of Dragon Retail Properties Limited. The remaining 50 per cent is owned by Bisichi Mining PLC. The company is incorporated and operates in England and Wales and has issued share capital of 500,000 ordinary shares of £1 each (1998 – 500,000 ordinary shares of £1 each).

The company has an independent board of directors which controls its operating and financial policies.

12 Debtors

	1999 £000	1998 £000
Group and company		
Trade debtors	**921**	901
Amounts due from associate and joint venture	**176**	123
Other debtors	**89**	48
Prepayments and accrued income	**299**	220
	1,485	1,292

13 Investments held as current assets

	1999 £000	1998 £000
Group and company		
Market value of the listed investment portfolio	**3,773**	3,138
Unrealised excess of market value over cost	**1,322**	716
Listed investment portfolio at cost	**2,451**	2,422

All investments are listed on the London Stock Exchange.

Notes to the financial statements

31 December 1999 (continued)

14 Creditors: Amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Bank overdrafts (unsecured)	**3,572**	3,114	**3,572**	3,114
Bank bridging loan (unsecured)	**–**	560	**–**	560
Bank loan (secured)	**200**	–	**200**	–
Amounts owed to subsidiary companies	**–**	–	**14**	14
Amounts owed to joint venture	**71**	59	**71**	59
Corporation tax	**505**	94	**505**	94
Other taxation and social security costs	**914**	444	**914**	444
Proposed dividend	**840**	758	**840**	758
Other creditors	**628**	666	**628**	666
Accruals and deferred income	**4,391**	3,479	**4,391**	3,479
	11,121	9,174	**11,135**	9,188

15 Creditors: Amounts falling due after more than one year

	1999	1998
	£000	£000
Group and company		
Term borrowings		
Debenture stocks		
£0.58 million 10½ per cent Convertible Debenture Stock 2010	**580**	580
£0.42 million 10½ per cent Non-convertible Debenture Stock 2010	**420**	420
£5 million First Mortgage Debenture Stock 2013 at 11.3 per cent	**5,000**	5,000
£1.7 million First Mortgage Debenture Stock 2016 at 8.67 per cent	**1,700**	1,700
£5 million First Mortgage Debenture Stock 2018 at 11.6 per cent	**5,000**	5,000
£10 million First Mortgage Debenture Stock 2022 at 8.109 per cent *	**9,621**	9,635
	22,321	22,335
Long term bank loans	**25,800**	12,000
	48,121	34,335

*The £10 million debenture is shown after deduction of un-amortised issue costs in accordance with FRS4.

Interest payable on the bank loans is variable being based upon the London interbank market rate plus margin.

(a) Convertible and Non-convertible Debenture Stocks 2010

The convertible debenture stock may be converted at the option of the holder in any year until 2009 on the conditions set out in the trust deed into fully paid ordinary shares at the rate of £120 of nominal ordinary share capital for each £150 nominal of convertible debenture stock.

These debenture stocks are secured by a floating charge over group assets, and a second charge on specific properties charged under the First Mortgage Debenture Stocks 2013, 2016 and 2018.

(b) First Mortgage Debenture Stocks 2013, 2016 , 2018 and 2022

The first mortgage debenture stocks are secured by first charges on specific freehold and long leasehold properties and floating charges.

(c) A long term bank loan facility of £21,000,000 was negotiated in July 1999 and is repayable in nineteen six monthly instalments with the balance of £17.75 million repayable in 2009. A further long term bank loan of £5,000,000 was negotiated and drawn down in December 1997, which is repayable in equal instalments between 2002 and 2017.

Both the medium and long term bank loans are secured by first charges on specific properties.

Notes to the financial statements

31 December 1999 (continued)

16 Financial instruments

The group has taken advantage of the exemption under FRS13 that short term debtors and creditors be excluded from the following disclosures.

Financial assets maturity

On 31 December 1999, cash at bank and in hand amounted to £1,085,000 (1998: £2,066,000) which is invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates.

Financial liabilities maturity

	1999 £000	1998 £000
Group and Company		
Repayment of borrowings		
Bank loans and overdrafts:		
Repayable within one year	3,772	3,674
Repayable between two and five years	1,800	–
Repayable after more than five years	24,000	12,000
	29,572	15,674
Debentures		
Repayable after more than five years	22,700	22,700
	52,272	38,374

The group has undrawn banking facilities at 31 December 1999 of £8,428,000 (1998 – £7,326,000), which expire within one year.

Interest rate risk

56.6% (£29,572,000) (1998 – 40.8% (£15,674,000)) of the group's borrowings is at variable rates of interest with the remaining 43.4% (£22,700,000) (1998 – 59.2% (£22,700,000)) at fixed rates of interest. The fixed rate and weighted average period for which the borrowing is fixed is 9.73% (1998 – 9.73%) and 18.2 (1998 – 19.2 years) years respectively. The group's floating rate debt bears interest based on LIBOR.

Fair values

Fair value of the group's financial liabilities:

	Book value £000	Market value £000	1999 Fair value adjustment £000	1998 Fair value adjustment £000
Debenture stock	22,700	27,016	(4,316)	(6,901)
Tax at 30% (1998: 31%)			1,295	2,139
Post tax fair value adjustment			(3,021)	(4,762)
Post tax fair value adjustment – basic pence per share			(3.96)	(6.28)

The fair values were calculated by the directors as at 31 December 1999 and reflect the replacement value of the financial instruments used to manage the group's exposure to adverse rate movements.

The bank loans and overdrafts are at variable rates and there is therefore no material difference between book values and market values.

Notes to the financial statements

31 December 1999 (continued)

17 Provisions for liabilities and charges

		1999 £000	1998 £000
Group and company			
Balance at 1 January 1999		**111**	–
Deferred taxation – charged in the financial year (Note 6)		**(17)**	111
Balance at 31 December 1999		**94**	111
This comprises:	Short term timing differences	**116**	124
	Capital allowances	**(22)**	(13)
		94	111

No provision has been made for the approximate taxation liability of £3,392,000 (1998 – £2,780,000) arising if the investment properties were sold at the stated valuation.

18 Share capital

	1999 £000	1998 £000
Authorised: 110,000,000 (1998 – 110,000,000) ordinary shares of 10p each	**11,000**	11,000
Allotted, issued and fully paid: 76,380,042 (1998 – 75,790,926) shares of 10p each	**7,638**	7,579

In July 1999, 589,116 ordinary shares were issued to shareholders who had elected to receive shares in lieu of a final dividend in cash. This represented a reduction in the cash dividend of £171,000 of which £108,000 was credited to the share premium account.

Share Option Schemes

Employees' Share Option Scheme

At 31 December 1999 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the Employees' Share Option Scheme:

Number of Shares	Option Price	Normal Exercise Date
580,000	28.5p	28 May 1996 to 27 May 2003
210,000	42.5p	10 May 1997 to 9 May 2004
156,600	38.5p	14 May 2000 to 13 May 2007
380,000	21.75p	6 November 2001 to 5 November 2008
1,326,600		

This share option scheme was approved by members in 1986, and has been approved by the Board of Inland Revenue.

A summary of the shares allocated and options issued under the scheme up to 31 December 1999 is as follows:

Shares issued to date	1,111,804
Options granted which have not been exercised	1,326,600
Shares allocated over which options have not yet been granted	1,699,955
Total shares allocated for issue to employees under the scheme	4,138,359

Notes to the financial statements

31 December 1999 (continued)

18 Share capital *continued*

Non-approved Executive Share Option Scheme

A new share option scheme known as the "Non-approved Executive Share Option Scheme" which does not have Inland Revenue approval was set up during 1999. At 31 December 1999 the following options to subscribe for ordinary shares were outstanding, issued under the terms of the scheme:

Number of Shares	Option Price	Normal Exercise Date
450,000	25.66p	8 March 2002-7 March 2009

A summary of the shares allocated and options issued under the scheme up to 31 December 1999 is as follows:

Shares issued to date	–
Options granted which have not been exercised	450,000
Shares allocated over which options have not yet been granted	550,000
Total shares allocated for issue to employees under the scheme	1,000,000

19 Reserves

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Retained earnings £000
Group					
Balance at 1 January 1999	3,809	15	19,825	429	9,170
Surplus on valuation of investment properties	–	–	3,536	–	–
Premium on shares issued	108	–	–	–	–
Issue expenses	(5)	–	–	–	–
Retained profit for year	–	–	–	–	729
Currency translation difference on foreign currency net investments	–	–	–	–	(2)
Transfer of realised revaluation profits	–	–	(150)	–	150
Balance at 31 December 1999	**3,912**	**15**	**23,211**	**429**	**10,047**
Company					
Balance at 1 January 1999	3,809	15	18,285	–	8,619
Surplus on valuation of investment properties	–	–	3,130	–	–
Premium on shares issued	108	–	–	–	–
Issue expenses	(5)	–	–	–	–
Retained profit for year	–	–	–	–	892
Transfer of realised revaluation profits	–	–	(150)	–	150
Balance at 31 December 1999	**3,912**	**15**	**21,265**	**–**	**9,661**

Notes to the financial statements

31 December 1999 (continued)

20 Cash flow statement notes

	1999 £000	1998 £000
(a) Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	5,613	5,399
Depreciation charges	107	98
(Profit) on disposal of fixed assets	–	(4)
Dividend from associated company	48	49
(Increase)decrease in debtors	(182)	60
Increase in creditors	1,079	534
(Increase) in current asset investments	(29)	(4)
	6,636	6,132

(b) Analysis of net debt

	At 1 January 1999 £000	Cash flow £000	Other movements £000	At 31 December 1999 £000
Bank balances in hand	2,066	(981)	–	1,085
Bank overdrafts	(3,114)	(458)	–	(3,572)
Bank bridging loan	(560)	560	–	–
Debt due within one year	–	(200)	–	(200)
Debt due after one year	(34,700)	(13,800)	–	(48,500)
Current asset investments	2,422	–	29	2,451
	(33,886)	(14,879)	29	(48,736)

21 Related party transactions

	Costs recharged to related party £000	Amounts owed by(to) related party £000	Cash advanced to(by) related party £000
Related party:			
Bisichi Mining PLC	252	125	–
Dragon Retail Properties Limited			
Current account	23	51	–
Loan account	(4)	(71)	(12)
Totals at 31 December 1999	271	105	(12)
Totals at 31 December 1998	226	64	810

The related parties are the associate and joint venture and are treated as fixed asset investments – details are shown in Note 11.

Bisichi Mining PLC (associate)

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

Notes to the financial statements

31 December 1999 (continued)

21 Related party transactions *continued*

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.

The company provides office premises, property management, general management, accounting and administration services for Dragon.

Dragon has surplus cash which is deposited with London & Associated Properties PLC. The deposit bears interest at a variable rate related to bank base rates. Interest earned on the loan for the year amounted to £4,000 (1998 – £51,000) none of which was accrued at 31 December 1999 (1998 – £1,000).

London & Associated Properties PLC and Bisichi Mining PLC each provided a guarantee in respect of the bank loan up to a maximum of £250,000 each.

22 Employees

The average number of employees, including directors, of the group during the year involved in management and administration was 34 (1998 – 27)

	1999	1998
	£000	£000
Staff costs during the year were as follows:		
Salaries and other costs	809	779
Social security costs	96	78
Pension costs	72	51
	977	908

The company operates a number of defined contribution pension arrangements for individual employees through insurance companies. The pension costs shown above represent the contributions payable by the company.

23 Capital commitments

	1999	1998
	£000	£000
Group and company		
Commitments to capital expenditure contracted for at the year end	–	–

24 Commitments under operating leases

At 31 December 1999 the group and the company had annual commitments under non-cancellable operating leases, on land and buildings expiring in more than 5 years totalling £159,000 (1998 – £159,000). In addition, the company has an annual commitment to pay ground rents on its leasehold investment properties which amounts to £408,000 (1998 – £411,000), the leases on which expire in more than fifty years.

25 Contingent liabilities

The company has provided a guarantee in respect of a bank loan up to a maximum of £250,000 to Dragon Retail Properties Limited, a joint venture company.

Notice of annual general meeting

NOTICE is hereby given that the Sixtieth Annual General Meeting of London & Associated Properties PLC will be held at the company's offices at 8-10 New Fetter Lane, London EC4A 1AF on Wednesday 7 June 2000 at 12 noon for the transaction of the following business:

Ordinary business

1 To receive and adopt the directors' report, annual accounts and auditor's report for the year ended 31 December 1999. **(Resolution 1)**

2 To declare and approve a final dividend. **(Resolution 2)**

3 To re-elect as a director P S Hawkings. **(Resolution 3)**

4 To re-elect as a director M C Stevens. **(Resolution 4)**

5 To reappoint Baker Tilly as auditors. **(Resolution 5)**

6 To authorise the directors to determine the remuneration of the auditors. **(Resolution 6)**

Special business

To consider and, if thought fit, pass the following resolutions of which Resolution 8 will be proposed as an Ordinary Resolution, and Resolutions 7 and 9 will be proposed as Special Resolutions:

7 That the directors be and they are hereby authorised pursuant to section 95 of the Companies Act 1985 (the Act) to allot equity securities (within the meaning of section 94(2) of the said Act) for cash pursuant to the authority conferred upon them for the purposes of section 80 of the Act by the ordinary resolution of the company passed on 5 June 1996 as if section 89(1) of the said Act did not apply to any such allotment and provided that this power shall be limited:

(a) to allotments of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares of 10p each in the company (Ordinary Shares) and, if in accordance with their rights the directors so determine, holders of 10.5 per cent Convertible Debenture Stock 2010 (Convertible Stock holders) where the equity securities are allotted in proportion (or as nearly as may be) to the respective number of Ordinary Shares held by them (and in the case of the Convertible Stock holders on the basis that their holdings had been converted into Ordinary Shares on the basis then applicable) on the record date fixed by the directors provided that the directors may make such arrangements and exclusions to deal with fractional entitlements and with legal or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory as they consider necessary and expedient; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) of this resolution) of equity securities wholly for cash up to an aggregate nominal amount of £381,900 representing approximately 5 per cent of the issued capital of the company; and

(c) to the allotment for cash of up to 1,500,000 Ordinary Shares in connection with the scrip dividend offer

and (unless previously renewed, revoked or varied) such power shall expire on the earlier of the conclusion of the next Annual General Meeting of the company and the date which is 15 months from the passing of this resolution, save that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired. **(Resolution 7)**

8 The directors be and are hereby authorised:

(a) To exercise the power contained in Article 140b of the Articles of Association of the company so that to the extent determined by the directors, the holders of Ordinary Shares be permitted to elect to receive new Ordinary Shares of 10p each in the company, credited as fully paid, instead of all or part of the final dividend for the twelve months ended 31 December 1999 (declared above).

(b) To capitalise the appropriate nominal amount of additional Ordinary Shares falling to be allotted pursuant to elections made as aforesaid, out of the distributable profits of the company which would have been distributed to members by dividend in cash, to apply such sum in paying up such Ordinary Shares and to allot such Ordinary Shares to members of the company who shall have validly so elected. **(Resolution 8)**

Notice of annual general meeting *(continued)*

9 That the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of Ordinary Shares of 10 pence each in the capital of the company provided that

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 3,819,002 (representing approximately 5 per cent of the company's issued Ordinary Share Capital);

(b) the minimum price which may be paid for such Ordinary Shares is 10 pence per share (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than 5 per cent above the average of the middle market values of an Ordinary Share in the company as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased:

(d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company to be held in 2001 or within 12 months from the date of passing this resolution, whichever shall be the earlier; and

(e) the company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts. **(Resolution 9)**

8-10 New Fetter Lane
London EC4A 1AF
Registered in England & Wales - Number 341829
28 February 2000

By order of the board
M.C. STEVENS
Secretary

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company.

2. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 48 hours before the time fixed for the meeting or if the meeting is adjourned not later than 48 hours before the time fixed for the adjourned meeting.

3. Completion and return of a proxy form will not preclude ordinary shareholders from attending and voting at the meeting if they wish. A form of proxy is enclosed for use by shareholders.

4. The following documents will be available for inspection at the Registered Office of the company on any weekday during normal business hours and will also be available from 11.45am on the day of the meeting until the close of the meeting:

a) A register in which are recorded all transactions of each director and of their family interests in the share capital of the company.

b) A copy, or a memorandum of the terms, of every service contract between the company or any of its subsidiaries and any director of the company.

Ten year financial summary

	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Consolidated balance sheet										
Fixed assets:-										
Properties and other tangible assets	**96.27**	75.62	75.83	65.19	64.26	57.50	44.14	34.06	33.20	28.19
Investments	**3.30**	3.05	3.01	2.78	2.77	2.77	2.82	2.64	2.27	2.24
	99.57	78.67	78.84	67.97	67.03	60.27	46.96	36.70	35.47	30.43
Current assets:-										
Debtors	**1.48**	1.29	1.33	1.89	2.15	1.53	1.48	1.05	0.98	0.82
Investments at cost	**2.45**	2.42	2.42	2.26	2.62	2.49	2.21	1.88	1.65	1.26
Bank balances	**1.08**	2.07	0.06	2.05	3.04	3.05	3.31	3.09	2.93	0.13
Total assets	**104.58**	84.45	82.65	74.17	74.84	67.34	53.96	42.72	41.03	32.64
Liabilities and creditors	**(11.12)**	(9.17)	(8.73)	(8.50)	(9.67)	(8.00)	(5.79)	(4.66)	(4.15)	(3.88)
Term borrowings	**(48.12)**	(34.34)	(34.32)	(28.95)	(28.70)	(21.20)	(13.50)	(11.00)	(11.00)	(8.00)
Provisions for liabilities and charges	**(0.09)**	(0.11)	-	-	-	-	-	-	-	-
	45.25	40.83	39.60	36.72	36.47	38.14	34.67	27.06	25.88	20.76
Adjustment of current asset investments to market value	**1.32**	0.72	1.15	1.02	0.62	0.42	0.93	0.26	0.12	0.11
Consolidated net assets*	**46.57**	41.55	40.75	37.74	37.09	38.56	35.60	27.32	26.00	20.87

Consolidated profit and loss account

	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Profit before tax	**2.10**	2.01	1.82	1.76	1.73	1.71	1.52	1.10	1.02	0.87
Taxation	**0.53**	0.47	0.01	0.05	0.36	0.31	0.48	0.48	0.38	0.24
Profit attributable to shareholders	**1.57**	1.54	1.81	1.71	1.37	1.40	1.04	0.62	0.64	0.63
Dividend	**0.84**	0.76	0.68	0.59	0.53	0.50	0.47	0.40	0.37	0.21

Values per share

	1999 Pence	1998 Pence	1997 Pence	1996 Pence	1995 Pence	1994 Pence	1993 Pence	1992 Pence	1991 Pence	1990 Pence
Net assets per share *	**60.98**	54.81	53.97	50.18	50.27	52.50	48.64	39.14	38.47	38.77
Fully diluted net assets per share +	**57.57**	52.00	51.35	47.82	47.41	49.38	45.90	37.24	36.62	36.90
Earnings per share	**2.06**	2.04	2.40	2.29	1.87	1.91	1.48	0.90	1.13	1.40
Dividend	**1.10**	1.00	0.90	0.78	0.72	0.68	0.64	0.58	0.53	0.46

Group including Bisichi Mining PLC

	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Total assets *	**117**	95	91	81	81	72	59	47	45	37
Net assets*	**51**	46	44	41	41	42	39	30	29	24

* Including the investment portfolio at market value.

\+ Based on net assets including the investment portfolio at market value, conversion of convertible debt and issue of share options.