MOORE STEPHENS

LEATHBOND LIMITED

CONSOLIDATED
REPORT AND FINANCIAL STATEMENTS

31st MARCH 2011

Leathbond Limited

Directors

J D Chandris (Chairman)
M D Chandris
E A Tomazos
A E Tomazos (Managing Director)
D N D Mavridoglou

Secretary and Registered Office

D Dibsdall
Lynton House, 7-12 Tavistock Square, London, WC1H 9LT

Registered Number

01704168

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31st March 2011

Review of Activities

The principal activities of the Group consist of investing and dealing in properties, the development and management of industrial and commercial properties and the provision of associated services It is not anticipated that there will be any significant change during the current financial year

The underlying profits, which exclude the impact of exchange differences and certain one-off costs, have fallen during the year largely as a result of additional refurbishment expenditure and additional property direct costs and overheads Market expectations of lease incentives have increased and by working with prospective and existing tenants the Group has achieved lettings that are commercially beneficial to both parties

The Directors believe that the Company and its subsidiaries continue to be in a favourable position and the profitability should be maintained next year

The Group reported a revaluation uplift of £14 8 million (2010 £56 2 million) on its investment property portfolio, and an impairment charge of £1 1 million (2010 £1 2 million), representing a total rise in the carrying value of investment properties of 1 3% (2010 5 6%)

During the year, the Group has seen a number of high yielding opportunities to strengthen its portfolio and has made several acquisitions in the UK and Germany The Group continued to dispose of non-core assets where it sees little opportunity to add value through management or development

The Group is continually seeking high yield investment property acquisitions in the UK, Poland and Germany The market is constantly monitored and acquisitions will be undertaken on a selective basis where there are real opportunities to enhance returns using our intensive management approach

Void space, a non-financial key performance indicator, is constantly monitored and marketing effort is concentrated on those properties to ensure that lettings are achieved as soon as possible This process is backed up by our Building Services and Estates Department who ensure that the properties are in first class condition and available for immediate occupancy Occupancy levels have averaged 90% during the year for the total portfolio with industrial occupancy averaging 88% and retail 96%

The strategy of the Group remains to improve returns and achieve asset growth through the intensive management and development of its properties The Group continues to consider opportunities to acquire or dispose of properties where these activities offer opportunities to use our key strengths to deliver growth

Leathbond Limited

Risk Management

The Group perceives risk management as critical to achieving its strategic goals Risk management policies are designed to reduced the chance of impact of financial loss, to protect the reputation of the Group, and to improve the likelihood of successfully taking opportunities as they arise in the market Regular Board meetings are held at which the adequacy of the existing risk mitigation policies and controls are reviewed and challenged and new risks are identified and prioritised

Risk	*Impact*	*Mitigation*
Financial Risks		
Liquidity / refinancing risk	Inability to fund operations, capital expenditure or to raise new or replacement funding	The Group regularly monitors banking covenant headroom, leverage and committed, undrawn financing facilities The Group maintains regular contact with both existing and prospective providers of finance to evaluate options in advance of funding deadlines
Interest rate exposure	Increased borrowing costs	Interest rates are constantly monitored and hedging policies reviewed by the Directors to ensure the Group's risk and exposure to volatile interest rate movements is kept to a minimum The Group's policy is to manage its exposure to short term interest rate movements through the use of derivative contracts where appropriate
Credit risk failure of bank and financial institution counterparties	Loss of cash deposits	The Group has fostered relationships with a range of banks to provide deposit facilities for surplus cash balances The Group continuously reviews the credit ratings of these banks and spreads deposits across institutions with 'A' rating or better
Foreign currency risk	Volatility of earnings and cash flows	The Group's policy is to reduce exposure to foreign currency exchange differences by hedging overseas net assets with foreign currency borrowings and derivative contracts where appropriate

Leathbond Limited

Risk Management (Continued)

Risk	*Impact*	*Mitigation*
Property Risks		
Acquisition risk	Acquisition of property that fails to meet performance targets	Target acquisitions are evaluated and due diligence carried out Investment criteria are established by the Board and no properties are acquired which fail to meet these criteria
Tenant credit risk	Continued worries about employment security, falling income and restrictions on government expenditure may result in tenants, particularly in the UK retail sector, facing difficult operating conditions which may result in increasing tenant default and vacancy rates	The Group operates procedures to reduce exposures by reviewing tenant covenants for new leases Close contact and strong relationships are maintained with existing tenants to enable the Group to consider actions to mitigate risk at the earliest opportunity The Group manages a diversified portfolio in the industrial, retail and office sectors which are predominantly multi-let sites and with a spread of lease end dates
Valuation risk	Despite an improvement in property valuations in both the current and previous year, valuations remain subdued from the peak of 2007 The uncertainty in the UK economy noted may result in a retrenchment of values due either to falling yields or rental income A fall in property valuations may lead to a worsening in loan to value ratios outside the range acceptable to the Group and to a level risking breach of banking covenants	The Group manages a diversified portfolio in different geographical locations and sectors In particular, the Group's businesses in Poland and Germany are seeing positive signs, and in the UK, the Group has seen positive, albeit hesitant, indicators in the industrial sector Since the downturn in 2007, the Group has prioritised the management of loan to value ratios Management has at all times continued to communicate fully with lenders and agreed a program of debt repayments while acquiring properties which enhance the portfolio as opportunities arise
Health and safety	Potential loss or injury to employees, contractors, tenants or members of the public	The Group Health and Safety Committee meet regularly to update risk mitigation policies Education and training are provided to all employees as required All properties are visited every year and structured risk assessments undertaken

Leathbond Limited

Report of the Directors (Continued)

Supplier Payment Policy

The Group maintains a policy of paying suppliers promptly in accordance with the terms and conditions agreed with them Payment becomes due when it can be confirmed that goods and / or services have been provided in accordance with relevant contractual conditions

The year end trade creditors as a proportion of amounts invoiced by suppliers represented 41 days (2010 45 days)

Post Balance Sheet Events

Subsequent to the year end, the Group has acquired one additional industrial property and one additional retail property in the UK for £5 15 million and £2 05 million respectively These have been funded from existing facilities secured against the acquisition of new properties

Results and Dividends

The profit for the year amounted to £6,701,000 (2010 £9,508,000) This has been credited to the profit and loss account reserve

The Directors do not recommend the payment of a dividend for the year

Directors

In accordance with the Articles of Association, Mr J D Chandris will retire at the Annual General Meeting and being eligible will offer himself for re-election

Charitable Donations

During the year the Group made charitable donations of £108,000 (2010 £39,000) to charities dealing with the relief of financial hardship, sickness and disability

Statement as to Disclosure of Information to Auditors

The Directors confirm that

(a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

By Order of the Board

E A TOMAZOS

Director

Leathbond Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless its is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Members of Leathbond Limited

We have audited the financial statements of Leathbond Limited for the year ended 31st March 2011 which are set out on pages 7 to 41 The financial reporting framework that has been applied in their preparation 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report of the Directors' to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 31st March 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors' 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 Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements 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

Michael Kotsapas, *Senior Statutory Auditor*
For and behalf of Moore Stephens LLP, *Statutory Auditor*
150 Aldersgate Street
London
EC1A 4AB

20 December 2011

Leathbond Limited

Consolidated Profit and Loss Account
For the year ended 31st March 2011

	Note	2011		2010	
		£000	£000	£000	£000
Turnover: Group and share of joint ventures		91,175		91,494	
Less Share of joint ventures		(2,116)		(2,182)	
	1(c), 2		89,059		89,312
Cost of sales			(15,783)		(14,207)
Gross Profit			73,276		75,105
Administrative expenses			(27,938)		(24,696)
Profit on disposal of investment property			216		40
Impairment of investment property	10		(1,069)		(1,235)
Reversal of impairment of investment property			-		130
			44,485		49,344
Share of operating profit in joint ventures			1,282		1,268
Operating profit			45,767		50,612
Interest receivable and similar income	4		21,844		40,495
Interest payable and similar charges	5		(41,586)		(60,018)
Dividends receivable			165		102
Impairment of investments	11		(716)		(716)
Profit/(loss) on disposal of investments			156		(54)
Profit on ordinary activities before taxation	6		25,630		30,421
Taxation on profit on ordinary activities	7		(8,726)		(9,998)
Profit on ordinary activities after taxation			16,904		20,423
Minority interest			(10,203)		(10,915)
Profit for the Financial Year			6,701		9,508

Leathbond Limited

Consolidated Balance Sheet – 31st March 2011

	Note	2011		2010	
		£000	£000	£000	£000
Intangible Fixed Assets					
Negative goodwill	9		(1,791)		(2,762)
Goodwill	9		2,421		3,031
Fixed Assets					
Investment property	10		1,059,924		1,035,583
Tangible assets	10		3,647		3,988
Other investments	11		5,907		4,434
Investments in joint ventures					
- share of gross assets		17,932		16,272	
- share of gross liabilities		(476)		(448)	
	11		17,456		15,824
			1,087,564		1,060,098
Current Assets					
Stock and work in progress	13	6,177		5,646	
Debtors					
- due within one year	14	22,682		22,959	
- due after more than one year	14	262,297		270,181	
Pension asset	25	506		-	
Cash at bank and in hand		42,360		52,328	
		334,022		351,114	
Creditors					
Amounts falling due within one year	15	(92,042)		(101,434)	
Net Current Assets			241,980		249,680
Total Assets less Current Liabilities			1,329,544		1,309,778
Creditors					
Amounts falling due after more than one year	16		(688,337)		(701,580)
Provision for Liabilities					
Deferred taxation	18		(6,276)		(6,906)
Other provisions	19		(861)		(997)
Net Assets excluding Pension Liability			634,070		600,295
Pension liability	25		-		(1,303)
Net Assets including Pension Liability			634,070		598,992
Capital and Reserves					
Called up share capital	20		150		150
Profit and loss account	21		184,016		175,626
Revaluation reserve	21		233,299		223,778
Shareholders' Funds	26		417,465		399,554
Minority interest			216,605		199,438
			634,070		598,992

These financial statements were approved by the Board on 8.12 2011 by

J D CHANDRIS
Director

E A TOMAZOS
Director

Leathbond Limited

Company Balance Sheet – 31st March 2011

	Note	2011		2010	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	10		27,252		24,676
Other investments	11		4,419		4,028
Investments in group undertakings	12		33,573		33,573
			65,244		62,277
Current Assets					
Stock	13	2,758		2,760	
Debtors					
- due within one year	14	60,409		14,355	
- due after more than one year	14	19,150		65,000	
Cash at bank and in hand		18,546		22,890	
		100,863		105,005	
Creditors					
Amounts falling due within one year	15	(31,472)		(7,638)	
Net Current Assets			69,391		97,367
Total Assets less Current Liabilities			134,635		159,644
Creditors					
Amounts falling due after more than one year	16		(10,000)		(27,095)
Net Assets			124,635		132,549
Capital and Reserves					
Called up share capital	20		150		150
Profit and loss account	21		79,881		88,579
Revaluation reserve	21		44,604		43,820
Shareholders' Funds	26		124,635		132,549

These financial statements were approved by the Board on 8 12 2011 by

J D CHANDRIS
Director

E A TOMAZOS
Director

Leathbond Limited

Consolidated Cash Flow Statement
For the year ended 31st March 2011

	Note	2011		2010	
		£000	£000	£000	£000
Cash Inflow from Operating Activities	27		53,968		56,039
Returns on Investments and Servicing of Finance					
Interest received		14,702		19,727	
Interest paid		(31,732)		(31,053)	
Dividends received on investments		165		102	
Dividends paid to minorities		-		(400)	
Joint venture income		1,200		1,200	
			(15,665)		(10,424)
Taxation					
Corporation tax paid			(9,031)		(15,006)
Capital Expenditure and Financial Investment					
Purchase of investments	11	(3,013)		(1,755)	
Proceeds from disposal of investments		980		1,865	
Purchase of investment property	10	(14,805)		(8,420)	
Proceeds from disposal of investment property		3,246		813	
Purchase of other fixed assets	10	(182)		(475)	
Proceeds from disposal of other fixed assets		62		28	
			(13,712)		(7,944)
Net cash inflow before financing			15,560		22,665
Financing					
Loans repaid		(27,450)		(26,590)	
Loans advanced		1,768		7,550	
			(25,682)		(19,040)
(Decrease)/increase in cash	29		(10,122)		3,625

Leathbond Limited

Other Primary Statements
For the year ended 31st March 2011

	Note	2011 £	2010 £
Statement of Total Recognised Gains and Losses			
Profit for the financial year		6,701	9,508
Unrealised surplus on revaluation	21	14,829	56,243
Taxation on property disposal	21	(79)	(83)
Share of revaluation surplus/(deficit) relating to joint ventures	21	1,550	(1,816)
Actuarial gain/(loss) in pension scheme	21	2,693	(1,987)
Transfer to minority interest	21	(6,964)	(21,053)
Foreign exchange on consolidation	21	(819)	1,636
Total recognised gains and losses for the year		17,911	42,448

	2011 £	2010 £
Note of historical Cost Profits and Losses		
Reported profit on ordinary activities before taxation	25,630	30,421
Realisation of property revaluation gains of previous years	1,024	422
Historical cost profit on ordinary activities before taxation	26,654	30,843
Historical cost profit for the year after taxation and minority interest	7,268	9,712

Notes

1 **Principal Accounting Policies**

(a) Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings as stated in note 12 The results of subsidiary undertakings are accounted for in the profit and loss account using the acquisition method from the effective date of acquisition to the effective date of disposal All inter company balances and transactions are eliminated on consolidation

(c) Turnover

Turnover mainly represents the net proceeds of dealing and development property disposals and gross rental income from property and estate related services within the United Kingdom and continental Europe Profits and losses on disposal of property are recognised in the profit and loss account when the Company has become party to the sale contract Rental income is recognised on a straight line basis over the period of the lease

Where a rent free period is included in a lease, the rental income forgone is allocated evenly over the period from the date of lease commencement to the date of the first rent review

Where a lease incentive payment, including surrender premium paid, does not enhance the value of the property, it is amortised on a straight line basis over the period from the date of lease commencement to the date of the first rent review Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income

(d) Goodwill and negative goodwill

Purchased goodwill arising prior to 1st April 1998 was written off directly to reserves and remains eliminated against reserves It is transferred to the profit and loss account on the disposal or closure of the related business Subsequent to that date, and in accordance with Financial Reporting Standard 10, where businesses or associates are acquired, the excess of the cost of acquisition over the fair value of the net assets acquired is capitalised as goodwill and amortised on a straight line basis over the estimated useful economic life of ten years

Any excess in the fair value of the net assets acquired over the cost of acquisition is capitalised as negative goodwill and amortised on a straight line basis over the estimated useful economic life of ten years, being the approximate average remaining lease periods on the properties acquired

1 **Principal Accounting Policies (Continued)**

(e) Investment property

Investment property is carried at valuation Any surplus or deficit on revaluation is transferred to a revaluation reserve Where properties have previously been devalued, with the reduction in value charged to the profit and loss account, any subsequent revaluation surpluses will be included in the profit and loss account, up to the value of the initial charge, with the balance transferred to the revaluation reserve No depreciation is provided in respect of investment property

Property is classified as investment property when construction work and development have been completed and the property is held for its investment potential

Assets in the course of construction comprise property acquired to be developed for future use as investment property and is measured at cost Where, prior to the completion of construction, the value falls below the cost of the asset and the Directors consider this to be a permanent impairment, the reduction is charged to the profit and loss account

(f) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives as follows

Plant and machinery	-	3-20 years straight line
Furniture, fittings, tools and equipment	-	4-10 years straight line
Motor vehicles	-	25% reducing balance

(g) Impairment

At each balance sheet date, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable The recoverable amount is the higher of an asset's fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

(h) Joint ventures

A joint venture undertaking is one in which the Group holds a long term interest and shares control under a contractual relationship The joint ventures have been accounted for under the gross equity method and the Group's share of their gross assets and liabilities and profits less losses have been accounted for within the financial statements in accordance with Financial Reporting Standard 9

(i) Stock and work in progress

Stock and work in progress includes dealing and development property and is valued at the lower of cost and net realisable value Development property comprises the cost to the Group of acquiring the land and development expenditure Property is classified as stock when it is the Directors' intention to hold the property for trading

In respect of work in progress, cost includes materials, labour and the attributable proportion of overhead expenses

1 **Principal Accounting Policies (Continued)**

(j) Deferred taxation

Deferred taxation is provided in full in respect of accelerated capital allowances for plant and machinery and for the taxation effect of other timing differences Provision will continue to be made until the relevant interest is disposed of or until the expiry of the prescribed industrial buildings' life At this point in time any reversing allowances will be released to the profit and loss account

The Group does not make provision for the taxation that would arise if it disposed of its investment property because the investment property gains at the balance sheet date relate to revaluation gains

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable trading profits from which future reversals of the underlying timing differences can be deducted

(k) Operating leases

The rentals arising under operating lease agreements are charged to the profit and loss account on a straight line basis over the term of the lease

(l) Derivative financial instruments

Fair value accounting has not been adopted in respect of financial instruments Gains and losses on financial instruments are included in the profit and loss account when they are realised The fair value of derivatives at the balance sheet date is disclosed in the notes to the financial statements

(m) Pensions

The Group operates a defined benefit pension scheme Pension scheme assets are measured using market values Pension scheme liabilities are measured on an accruals basis and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability Any increase in the present value of the liabilities of the defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs Actuarial gains and losses are recognised in the statement of total recognised gains and losses Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised on the balance sheet net of related deferred tax

Payments to defined contribution pension schemes are charged as an expense, as they fall due

1 **Principal Accounting Policies (Continued)**

(n) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date All exchange differences are dealt with through the profit and loss account

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly Exchange differences arising are classified as equity and included within the profit and loss reserve

(o) Fixed asset investments

Fixed asset investments are stated at cost less any permanent diminution in value

2 **Group Segmental Reporting**

	Turnover		Profit/(loss) before taxation		Net assets/(liabilities)	
	2011	2010	2011	2010	2011	2010
	£000	£000	£000	£000	£000	£000
Geographical analysis						
UK	77,991	78,138	24,189	32,914	647,129	616,776
Continental Europe	11,068	11,174	1,441	(2,493)	(13,059)	(17,784)
	89,059	89,312	25,630	30,421	634,070	598,992

All activities relate to continuing operations

	2011	2010
Analysis of turnover by activity	£000	£000
Rental income	84,622	84,658
Estate services	2,147	2,283
Warehousing	484	499
Shopping mall and car park income	1,451	1,465
Property trading	38	-
Helicopter chartering income	317	407
	89,059	89,312

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

3 Directors and Employees

Staff costs include the following emoluments in respect of Directors of the Company

	2011 £000	2010 £000
Aggregate emoluments	8,954	7,159
Contributions to money purchase pension schemes	48	533
	9,002	7,692

The number of Directors who are accruing benefits under pension schemes are as follows

	2011	2010
Money purchase schemes	3	3

The highest paid Director received the following emoluments during the year

	2011 £000	2010 £000
Aggregate emoluments	3,863	3,031
Contributions to money purchase pension scheme	-	228
	3,863	3,259

Group staff costs, including Directors, during the year were as follows

	2011 £000	2010 £000
Wages and salaries	16,448	13,764
Social security costs	2,104	1,774
Pension costs	1,230	1,216
	19,782	16,754

The average number of persons employed by the Group during the year, in a management and administrative capacity, including Directors, was 131 (2010 131)

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

4 Interest Receivable and Similar Income

	2011	2010
	£000	£000
Bank interest receivable	350	580
Foreign exchange gains	7,105	23,975
Interest on other loans	14,389	15,940
	21,844	40,495

5 Interest Payable and Similar Charges

	2011	2010
	£000	£000
On bank loans and overdrafts	30,675	31,709
Foreign exchange losses	10,483	27,486
Other interest and similar charges	428	823
	41,586	60,018

6 Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

		2011	2010
		£000	£000
Operating lease rentals			
- plant and machinery		104	95
- land and buildings		98	3,312
Amortisation of negative goodwill (note 9)		(971)	(971)
Amortisation of goodwill (note 9)		449	442
Impairment of investment property (note 10)		1,069	1,235
Reversal of impairment of investment property		-	(130)
Impairment of other investments (note 11)		716	716
Depreciation of tangible fixed assets (note 10)		507	380
Auditors' remuneration			
Principal auditors	- statutory audit	97	113
	- tax compliance	33	38
	- review of joint venture statements	8	4
	- consultancy fees	5	11
Other auditors	- statutory audit	126	133
	- tax compliance and advice	131	177
Net foreign exchange losses		3,378	3,511

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

7 Taxation on Profit on Ordinary Activities

	2011 £000	2010 £000
Corporation tax		
UK corporation tax	9,209	9,795
Prior year under provision	71	445
Overseas tax	-	158
	9,280	10,398
Deferred tax		
Origination and reversal of timing differences	(71)	(400)
Change in tax rate	(483)	-
Total deferred tax (note 18)	(554)	(400)
Taxation on profit on ordinary activities	8,726	9,998

Factors affecting the tax charge for the year:

The tax charge for the year differs from the standard rate of corporation tax applicable to U K companies The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities multiplied by the standard rate or corporation tax of 28% (2010 28%)	7,176	8,518
Expenses disallowed for tax purposes	651	582
Reduced tax on property sales	20	101
Deferred tax released – principally capital allowances	(256)	(275)
Other items	(207)	(1,246)
Unrelieved current year trading losses	1,825	2,273
Prior year under provision	71	445
	9,280	10,398

8 Company Profit and Loss Account

The loss for the year after taxation included in the accounts of the Company is £8,698,000 (2010 loss of £6,354,000)

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented

9 Intangible Fixed Assets

	£000
Negative Goodwill	
Cost	
At 1st April 2010 and 31st March 2011	9,710
Amortisation	
At 1st April 2010	6,948
Credit in year	971
At 31st March 2011	7,919
Net book value	
At 31st March 2011	1,791
At 31st March 2010	2,762

The negative goodwill arose on the acquisition of Wellington Real Estate Limited in 2002 and the acquisition of the remaining 9 3% of the share capital of Mapleplan Limited, LCP Securities and LCP Commercial Limited in 2006

	£000
Goodwill	
Cost	
At 1st April 2010	4,849
Foreign exchange difference	(238)
At 31st March 2011	4,611
Amortisation	
At 1st April 2010	1,818
Charge in year	449
Foreign exchange difference	(77)
At 31st March 2011	2,190
Net book value	
At 31st March 2011	2,421
At 31st March 2010	3,031

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

10 Tangible Fixed Assets

Group – Investment Property

	Freehold	Long and Short Leasehold	Assets in the course of Construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1st April 2010	719,837	307,061	8,685	1,035,583
Additions	8,274	5,835	696	14,805
Reclassifications	-	1,339	(1,339)	-
Disposals	(2,000)	(1,030)	-	(3,030)
Revaluation (note 21)	12,217	2,612	-	14,829
Impairment	(260)	289	(1,098)	(1,069)
Foreign exchange	-	(821)	(373)	(1,194)
At 31st March 2011	738,068	315,285	6,571	1,059,924

Freehold and long leasehold investment properties are stated at valuation Assets in the course of construction are stated at cost and are developed for use as investment property The cost of assets included at valuation according to historical cost accounting rules is as follows

	2011	2010
	£000	£000
Freehold property	475,536	469,131
Long leasehold property	211,655	204,606
	687,191	673,737

The entire portfolio of freehold and long leasehold investment property held by the Company and its subsidiaries, was valued externally as at 31st March 2011 The valuations were carried out by King Sturge LLP Chartered Surveyors in the UK, by DTZ Polska Sp Zo o in Poland and by DTZ Zadelhoff in Germany

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

10 Tangible Fixed Assets (Continued)

	Plant and Machinery £000	Furniture, Fittings, Tools and Equipment £000	Total £000
Group – Tangible fixed assets			
Cost			
At 1st April 2010	5,775	862	6,637
Additions	156	26	182
Disposals	(199)	-	(199)
Foreign exchange difference	(7)	(6)	(13)
At 31st March 2011	5,725	882	6,607
Depreciation			
At 1st April 2010	1,908	741	2,649
Charge in year	462	45	507
Disposals	(199)	-	(199)
Foreign exchange difference	3	-	3
At 31st March 2011	2,174	786	2,960
Net book value			
At 31st March 2011	3,551	96	3,647
At 31st March 2010	3,867	121	3,988

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

10 Tangible Fixed Assets (Continued)

	Freehold Investment Property	Long Leasehold Investment Property	Plant, Equipment And Motor Vehicles	Total
	£000	£000	£000	£000
Company				
Cost				
At 1st April 2010	23,956	624	321	24,901
Additions	2,096	-	2	2,098
Revaluation (note 21)	809	(25)	-	784
Impairment	(260)	-	-	(260)
At 31st March 2011	26,601	599	323	27,523
Depreciation				
At 1st April 2010	-	-	225	225
Charge in year	-	-	46	46
At 31st March 2011	-	-	271	271
Net book value				
At 31st March 2011	26,601	599	52	27,252
At 31st March 2010	23,956	624	96	24,676

The cost of assets included at valuation based on historical cost accounting rules is as follows

	2011	2010
	£000	£000
Freehold property	15,795	13,959
Leasehold property	437	437
	16,232	14,396

11 Investments

		Other investments		
	Joint Ventures	Listed Investments	Unlisted Investments	Total
	£000	£000	£000	£000
Group				
Cost				
At 1st April 2010	-	2,792	1,642	4,434
Additions	-	2,512	501	3,013
Disposals	-	(780)	(44)	(824)
Impairment	-	-	(716)	(716)
At 31st March 2011	-	4,524	1,383	5,907
Share of retained profit				
At 1st April 2010	15,824	-	-	15,824
Movement in year	1,632	-	-	1,632
At 31st March 2011	17,456	-	-	17,456
Net book value				
At 31st March 2011	17,456	4,524	1,383	23,363
At 31st March 2010	15,824	2,792	1,642	20,258
Market value of listed investments		4,071		

London and Cambridge Properties Limited owns a 50% share in The Skelmersdale Limited Partnership, a partnership incorporated in the United Kingdom that owns and manages property This investment has been accounted for as a joint venture The joint venture has a 31st December year end

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

11 **Investments (Continued)**

	Listed Investments £000	Unlisted Investments £000	Total £000
Company			
Cost or valuation			
At 1st April 2010	2,386	1,642	4,028
Additions	1,430	501	1,931
Disposals	(780)	(44)	(824)
Impairment	-	(716)	(716)
At 31st March 2011	3,036	1,383	4,419
Market value of listed investments	2,415		

Included in unlisted investments are investments in wines of £852,000 (2010 £595,000), held at cost

12 **Investments in Group Undertakings**

Group

The Group owns the following operating subsidiary undertakings

	2011 Holding	2010 Holding	Principal Activity
Held by Leathbond Limited			
United Kingdom			
London and Cambridge Properties Limited	60%	60%	Holding Company
Edgeside Limited	100%	100%	Property Management
Held by London and Cambridge Properties Limited and its subsidiary companies			
United Kingdom			
LCP Management Limited (FSA registered)	100%	100%	Management Services
Braycape Limited	100%	100%	Property Management
Mapleplan Limited	100%	100%	Property Management
LCP Properties Limited	100%	100%	Property Management
LCP Investments Limited	100%	100%	Property Management
LCP Securities Limited	100%	100%	Property Management
LCP Estates Limited	100%	100%	Property Management
Rookman Properties Limited	100%	100%	Property Management
LCP Securities (North West) Limited	100%	100%	Property Management
LCP Retail Limited	100%	100%	Property Management
LCP Developments Limited	100%	100%	Property Development
LCP Commercial Limited	100%	100%	Property Management
Lockstead Limited	100%	100%	Property Management

12 Investments in Group Undertakings (Continued)

	2011 Holding	2010 Holding	Principal Activity
Held by London and Cambridge Properties Limited and its subsidiary companies (continued)			
United Kingdom (continued)			
SCC Properties Limited	100%	100%	Property Management
L&C Estates Limited	100%	100%	Property Management
L&C Investments Limited	100%	100%	Property Management
L&C Commercial Limited	100%	100%	Property Management
L&C Securities Limited	100%	100%	Property Management
Wellington Real Estate Limited	100%	100%	Property Management
Charterstyle Limited	100%	100%	Helicopter Chartering
LCP Real Estate Limited	100%	100%	Property Management
L & C Europe Limited	100%	100%	Holding Company
Poland			
LCP Properties Sp Zo o	100%	100%	Management Services
Avery Investments Sp Zo o	100%	100%	Property Management
Taima Investments Sp Zo o	100%	100%	Property Management
Corentin Investments Sp Zo o	100%	100%	Property Management
EMKA S A	-	100%	Property Management
EMKA Koszalin Sp Zo o	-	100%	Property Management
Tredia Investments Sp Zo o	100%	100%	Property Management
Estelle Investments Sp Zo o	100%	100%	Property Management
Solver Investments Sp Zo o	100%	100%	Property Management
MMT Invest Leszczynska Sp Zo o	100%	100%	Property Management
Germany			
GIPAM GmbH	100%	100%	Management Services
LCP Verwaltungs GmbH Eins IG	95 83%	95 83%	Holding Company
LCP Verwaltungs GmbH IG	95 83%	95 83%	Holding Company
LCP Verwaltungs GmbH Zwei IG	95 83%	95 83%	Holding Company
LCE Deutschland 1 GmbH & Co KG	95 83%	95 83%	Property Management
LCE Deutschland 2 GmbH & Co KG	95 83%	95 83%	Property Management
LCE Deutschland 3 GmbH & Co KG	95 83%	95 83%	Property Management
LCE Deutschland 4 GmbH & Co KG	95 83%	95 83%	Property Management
LCE Deutschland 5 GmbH & Co KG	95 83%	95 83%	Property Management
LCE Deutschland 6 GmbH & Co KG	95 83%	95 83%	Property Management
LCE Deutschland 7 GmbH & Co KG	95 83%	95 83%	Property Management
Luxembourg			
L&C Lux Hold Co S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 1 S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 2 S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 3 S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 4 S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 5 S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 6 S A R L	95 83%	95 83%	Holding Company
LCE Allemagne 7 S A R L	95 83%	95 83%	Holding Company

12 Investments in Group Undertakings (Continued)

All of the above holdings comprise ordinary shares

During the year EMKA S A and EMKA Koszalin Sp Zo o were merged with Corentin Investments Sp Zo o

In addition, the holding in LCP Securities Limited comprises 100% of the deferred ordinary shares, and in Mapleplan Limited comprises 100% of the "A" ordinary shares

	£000
Company	
Cost	
At 1st April 2010 and 31st March 2011	1
Revaluation	
At 1st April 2010 and 31st March 2011	33,572
Net book value	
At 31st March 2011	33,573
At 31st March 2010	33,573

Investments in subsidiary undertakings are represented by

- 9,000 10p ordinary shares in London and Cambridge Properties Limited
- 2 £1 ordinary shares in Edgeside Limited

13 Stock and Work in Progress

Group	2011 £000	2010 £000
Stock of land	910	1,137
Dealing properties	3,613	3,486
Short term work in progress	1,600	1,002
Raw materials and consumables	54	21
	6,177	5,646

The Directors are of the opinion that the replacement cost of stock and work in progress is in excess of £26,214,000 (2010 £22,780,000) If stock and work in progress were disposed of at their market value it is estimated that tax of £5,210,000 (2010 £4,798,000) would become due

Company	2011 £000	2010 £000
Dealing properties	2,758	2,760

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

13 **Stock and Work in Progress (Continued)**

The Directors are of the opinion that the replacement value of stock is £5,000,000 (2010 £5,000,000)

14 **Debtors**

	2011 Group £000	2011 Company £000	2010 Group £000	2010 Company £000
Amounts falling due within one year				
Trade debtors	8,050	245	6,926	122
Deferred tax (note 18)	2,207	-	1,578	-
Amounted owed by subsidiary undertakings	-	59,750	-	13,900
Other debtors	6,174	128	6,047	100
Prepayments and accrued income	6,251	286	8,408	233
	22,682	60,409	22,959	14,355
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	17,400	-	63,250
Other debtors	262,297	1,750	270,181	1,750
	262,297	19,150	270,181	65,000

Group

Group other debtors include £260,726,000 (2010 £267,946,000) due from related parties (note 30) Included within this amount is a loan of £15,000,000 (2010 £15,000,000) due from Ringmerit Ltd, which under FSA regulations is a subordinated loan

Company

Amounts owed by subsidiary undertakings of £48,950,000 (2010 £62,850,000) are unsecured and carry interest of 0 7% (2010 0 7%) over LIBOR Amounts owed by subsidiary undertakings of £28,200,000 (2010 £14,300,000) are unsecured and carry interest of 1 5% over LIBOR

The loans are repayable as follows

	2011 £000	2010 £000
Within one year	59,750	13,900
Between one and two years	17,400	41,350
Between two and five years	-	21,900
	77,150	77,150

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

14 **Debtors (Continued)**

Subsequent to the balance sheet date, the Company has renegotiated the terms of amounts owed by subsidiary undertakings of £59,750,000, previously due within one year The Company has agreed that £24,500,000 will be repaid over the period to 31st December 2013 while the balance of £35,250,000 will have maturity dates commencing on 8th November 2012 and expiring over the period to 26th March 2013 All loans owed by subsidiary undertakings now carry interest of 1 5% over LIBOR

15 **Creditors, amounts falling due within one year**

	2011 Group £000	2011 Company £000	2010 Group £000	2010 Company £000
Bank overdrafts	951	880	670	645
Bank loans	18,276	18,095	32,561	-
Other loans	12,567	-	12,567	-
Trade creditors	4,789	-	4,830	-
Corporation tax	4,360	-	4,059	-
Other taxation and social security payable	1,169	950	1,762	770
Other creditors	12,657	181	11,543	174
Accruals and deferred income	37,273	7,367	33,442	6,049
Amounts owed to subsidiary undertaking	-	3,999	-	-
	92,042	31,472	101,434	7,638

Company

The amounts owed to the subsidiary undertaking are unsecured, interest free and repayable on demand

16 **Creditors, amounts falling due after more than one year**

	2011 Group £000	2011 Company £000	2010 Group £000	2010 Company £000
Bank loans	686,770	10,000	698,447	27,095
Other loans	1,567	-	3,133	-
	688,337	10,000	701,580	27,095

17 Bank and Other Loans

Group

Bank and other loans are repayable as follows

	2011 Group £000	2011 Company £000	2010 Group £000	2010 Company £000
Within one year	30,843	18,095	45,128	-
Between one and two years	10,248	-	22,428	-
Between two and five years	648,189	10,000	649,252	27,095
After five years	29,900	-	29,900	-
	719,180	28,095	746,708	27,095

With one exception amounting to £3,134,000 (2010 £4,700,000), all bank and other loans are secured on the investment property owned by the Group

Interest rates are constantly monitored and hedging policies reviewed by the Directors to ensure the Group's risk and exposure to volatile interest rate movements is kept to a minimum The Group's policy is to manage its exposure to short-term interest rate movements through the use of derivative contracts, where appropriate

Bank loans amounting to £161,505,000 (2010 £184,950,000) bear interest of between LIBOR plus 0 35% and LIBOR plus 0 85% Bank loans denominated in Euro of £239,596,000 (2010 £242,113,000) bear interest of between EURIBOR plus 0 55% and EURIBOR plus 0 96% Bank and other loans amounting to £29,900,000 (2010 £29,900,000) bear interest of between 2028 Gilt plus 205 basis points and 2028 Gilt plus 215 basis points A non-bank loan of £11,000,000 (2010 £11,000,000) bears interest at 2017 Gilts plus 125 points A non-bank loan of £3,134,000 (2010 £4,700,000) is interest free

Included in bank loans is £274,045,000 (2010 £274,045,000) borrowed under a securitised commercial mortgage arrangement Interest is charged at between 0 26% and 0 85% above 3 month LIBOR after taking into account the hedging arrangements put in place by the Issuer and detailed below

Hedging providers	HSBC Bank Plc.		S G Corporate & Investment Banking	
	£000	Rate (%)	£000	Rate (%)
CAP	95,916	6 000	95,916	6 000
SWAP	41,107	4 725	41,107	4 725

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

17 Bank and Other Loans (Continued)

Group (continued)

The Group's policy, in respect of foreign currency risk, is to reduce exposure to foreign currency exchange differences by hedging overseas net assets with foreign currency borrowings The Group has also provided loan facilities denominated in Euros to related parties (note 30) The Group's policy is to manage its exposure to short term foreign currency movements through the use of derivative contracts where appropriate

The fair value of the swaps and the forward currency contract are as follows

	2011	2010
	£000	£000
Derivative financial instruments	(22,743)	(32,890)

Company

At the balance sheet date, bank loans amounting to £18,095,000 (2010 £17,095,000) were repayable in July 2011, were secured on the investment property owned by the Company and bore interest at 0 85% over LIBOR less 0 3% for advances matched by deposits A bank loan amounting to £10,000,000 (2010 £10,000,000) is repayable in March 2014 and is secured against certain fixed interest deposits, providing minimum deposits of 103% of the amount of the loan, and bears interest at 0 35% over LIBOR

Subsequent to the balance sheet date, the Company renegotiated the terms of the £20,000,000 loan facility, of which £18,095,000 was withdrawn The loans are now repayable in July 2018 and bear interest rates at 2% over LIBOR from July 2011 onwards

18 Deferred Tax

The movement in deferred tax is as follows

	Capital Allowances	Other Timing Differences	Pension Scheme Asset	Total
	£000	£000	£000	£000
At 1st April 2010	7,146	(1,818)	(507)	4,821
Charge in profit and loss account (note 7)	(646)	(593)	685	(554)
Foreign exchange difference	-	(20)	-	(20)
At 31st March 2011	6,500	(2,431)	178	4,247

18 **Deferred Tax (Continued)**

Shown as

	2011 £000	2010 £000
Deferred tax liability	6,276	6,906
Deferred tax liability/(asset) on pensions (note 25)	178	(507)
Deferred tax asset (note 14)	(2,207)	(1,578)
	4,247	4,821

No provision has been made in respect of the revaluation of freehold and leasehold land and buildings included in the revaluation reserve If the Group's interest in freehold and leasehold land and buildings was disposed of at its balance sheet value it is estimated the tax liability would amount to approximately £48,294,000 (2010 £67,118,000) These assets are expected to be used in the continuing operations of the business, therefore no tax is expected to be paid in the foreseeable future

The Group has recognised a deferred tax asset of £2,207,000 (2010 £1,578,000) for the taxable losses incurred in the Polish subsidiaries which are considered to be recoverable from anticipated future taxable profits

Company

The Company has taxable losses carried forward as at 31st March 2011 of £22,874,000 (2010 £17,594,000) No deferred tax asset has been recognised in respect of these losses on the grounds that their recoverability is currently considered to be uncertain

19 **Other Provisions**

The movement in other provisions is as follows

	2011 £000	2010 £000
Group		
At 1st April 2010	997	997
Released during the year	(136)	-
At 31st March 2011	861	997

The other provisions relate to onerous lease obligations

20 **Share Capital**

	2011 £000	2010 £000
Allotted, called up and fully paid 150,000 ordinary shares of £1 each	150	150

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

21 Reserves

Group	Profit and Loss Account £000	Revaluation Reserve £000	Total £000
At 1st April 2010	175,626	223,778	399,404
Profit for the year	6,701	-	6,701
Revaluation surplus (note 10)	-	14,829	14,829
Share of revaluation surplus relating to joint venture	-	1,550	1,550
Transfer of surplus arising on sale of investment property	945	(945)	-
Taxation on property disposal	-	(79)	(79)
Actuarial gain in pension scheme	2,693	-	2,693
Foreign currency differences	(821)	2	(819)
Transfer to minority interest	(1,128)	(5,836)	(6,964)
At 31st Mach 2011	184,016	233,299	417,315

	2011 £000	2010 £000
Profit and loss account excluding pension asset/(liability)	183,510	176,929
Pension asset/(liability) (note 25)	506	(1,303)
Profit and loss account, including pension asset/(liability)	184,016	175,626

The revaluation reserve represents the surplus on the revaluation of investment property

The Group profit and loss account includes £16,007,000 (2010 £15,558,000) goodwill on acquisitions written off and negative goodwill on acquisitions credited to reserves of £46,559,000 (2010 £45,588,000)

Company	Profit and Loss Account £000	Revaluation Reserve £000
At 1st April 2010	88,579	43,820
Revaluation (note 10)	-	784
Loss for the financial year	(8,698)	-
At 31st March 2011	79,881	44,604

Part of the revaluation surplus brought forward (£33,635,000 in total) represents the difference on the revaluation of the investment in the subsidiary undertaking LCP Management Limited, to net asset value, as at 7th September 1994, before the shares were acquired as consideration for the investment in London and Cambridge Properties Limited, the Company's subsidiary

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

22 **Operating Leases**

The Group is committed to pay the following annual operating lease rentals, expiring

	2011 Leasehold Property £000	2011 Other Assets £000	2010 Leasehold Property £000	2010 Other Assets £000
Within one year	216	25	294	29
After one year but within five years	1,664	132	986	71
After five years	1,161	-	2,112	-
	3,041	157	3,392	100

23 **Capital Commitments**

	2011 Group £000	2011 Company £000	2010 Group £000	2010 Company £000
Amounts contracted for but not provided in the accounts	88	-	473	-

24 **Contingent Liabilities**

Leathbond Limited has guaranteed a bank loan of its subsidiary company, Edgeside Limited, amounting to £2,200,000 (2010 £2,200,000)

25 **Pension Commitments**

Defined Benefit Pension Scheme

London and Cambridge Properties Limited operates a defined benefit scheme in the UK for certain employees The scheme, which is now closed to new entrants, provides defined benefits based on final pensionable salary The latest valuation of the scheme was carried out as at 31st March 2010 and updated to 31st March 2011 by a qualified independent actuary

The actuary recommended that the combined employer and employee contribution rate to be 25% of the members total annual salaries Contributions are set to continue at this rate until the next actuarial review which was due to be carried out as at 31st March 2013

The service cost has been calculated using the projected unit method with a 1 year control period As a result of the scheme being closed to new entrants the service cost will increase as the members of the scheme approach retirement

25 Pension Commitments (Continued)

Change in benefit obligation	2011 £000	2010 £000
Benefit obligation at beginning of year	14,198	10,712
Current service cost	388	318
Interest cost	815	727
Members contribution	119	126
Past service cost	461	-
Actuarial (gains)/losses	(2,432)	4,525
Benefits paid	(197)	(161)
Curtailments	-	(2,049)
Benefit obligation at end of year	13,352	14,198

Analysis of defined benefit obligation

Plans that are wholly or partly funded	13,352	14,198

Change in plan assets	2011 £000	2010 £000
Fair value of plan assets at beginning of year	12,388	8,629
Expected return on plan assets	745	521
Actuarial gains	261	2,538
Employer contributions	720	735
Members contributions	119	126
Benefits paid	(197)	(161)
Fair value of plan assets at end of year	14,036	12,388

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

25 **Pension Commitments (Continued)**

	2011 £000	2010 £000
Funded status	684	(1,810)
Related deferred tax (liability)/asset (note 18)	(178)	507
Net pension asset/(liability)	506	(1,303)

Components of pension cost	2011 £000	2010 £000
Current service cost	388	318
Interest cost	815	727
Expected return on plan assets	(745)	(521)
Past service cost	461	-
Effects of curtailments	-	(2,049)
Total pension cost/(credit) recognised in the profit and loss account	919	(1,525)
Actuarial gains/(losses) immediately recognised in the statement of total recognised gains and losses	2,693	(1,987)
Cumulative amount of actuarial losses recognised	1,769	4,462

Plan assets

The weighted average asset allocation at the year end was as follows

	Plan Assets 2011	Expected return on assets	Plan Assets 2010	Expected return on assets
Assets category				
Equities	49%	6 1%	50%	6 3%
Bonds	16%	5 5%	19%	5 5%
Gilts	17%	4 4%	17%	4 6%
Diversified growth	18%	6 1%	14%	6 3%
Cash	0%	4 4%	0%	4 6%
	100%	5 7%	100%	5 9%

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

25 **Pension Commitments (Continued)**

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 5 7% assumption

	2011	2010
	£000	£000
Actual return on plan assets	1,006	3,059

Weighted average assumptions used to determine benefit obligations at the balance sheet date

	2011	2010
Discount rate	5 5%	5 5%
Rate of compensation increase *	3 4%	3 6%
Rate of RPI inflation	3 4%	3 6%
Rate of CPI inflation	2 9%	-
Rate of LPI 5% max pension increase (1997-2011)	3 4%	3 6%
Rate of LPI 2 5% max pension increase (post 2011)	2 5%	-

* Allowing for salary cap and deferred pension minimum guarantee

Weighted average assumptions used to determine net pension cost for the year

	2011	2010
Discount rate	5 5%	6 7%
Expected long-term return on plan assets	5 9%	5 8%
Rate of compensation increase	3 6%	4 8%
Rate of RPI inflation	3 6%	3 5%
Rate of LPI 5% max pension increase (1997-2011)	3 6%	3 5%

Weighted average life expectancy for mortality tables used to determine benefit obligations at the balance sheet date

	2011 Male	2011 Female	2010 Male	2010 Female
Member age 65 (current life expectancy)	23 7	25 2	23 4	26 6
Member age 45 (life expectancy at age 65)	25 5	27 1	25 3	28 7

Leathbond Limited

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Notes (Continued)

25 **Pension Commitments (Continued)**

Five Year History

	Financial year ended 31st March				
	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Benefit obligation	(13,352)	(14,198)	(10,712)	(11,618)	(11,057)
Fair value of plan assets	14,036	12,388	8,629	9,176	8,723
Surplus/(deficit)	684	(1,810)	(2,083)	(2,442)	(2,334)
Difference between actual and expected return on assets					
- amount (£000)	261	2,538	(1,868)	(601)	(46)
- percentage of scheme assets	2%	20%	(22%)	(7%)	(1%)
Experience gains and losses on scheme liabilities					
- amount (£000)	1,164	-	-	(145)	-
- percentage of scheme liabilities	9%	0%	0%	(1%)	0%
Total amount recognised in statement of total recognised gains and losses					
- amount (£000)	2,693	(1,987)	188	(86)	(220)
- percentage of scheme liabilities	20%	(14%)	2%	(1%)	(1%)

Contributions

The Group expects to contribute £735,000 to the pension plan for the year ended 31st March 2012

Defined Contribution Pension Schemes

The Company operates a defined contribution pension scheme, the charge for the year amounted to £34,000 (2010 £562,000)

London and Cambridge Properties Limited also operates a defined contribution pension scheme The subsidiary company makes fixed contributions to the scheme based on 8% of members actual salaries The charge for the year amounted to £347,000 (2010 £336,000)

All death-in-service benefits for incapacity arising during employment provided by the Group are wholly insured

26 Reconciliation of Movement in Shareholders' Funds

Group	2011 £000	2010 £000
Profit for the financial year	6,701	9,508
Other recognised gains and losses	11,210	32,940
Net increase in shareholders' funds	17,911	42,448
Opening shareholders' funds	399,554	357,106
Closing shareholders' funds	417,465	399,554

Company	2011 £000	2010 £000
Loss for the financial year	(8,698)	(6,354)
Other recognised gains and losses	784	1,288
Net decrease in shareholders' funds	(7,914)	(5,066)
Opening shareholders' funds	132,549	137,615
Closing shareholders' funds	124,635	132,549

27 Reconciliation of Operating Profit to Operating Cash Flows

	2011 £000	2010 £000
Operating profit	45,767	50,612
Depreciation	507	380
Amortisation of negative goodwill	(971)	(971)
Amortisation of goodwill	449	442
Impairment of investment property	1,069	1,235
Reversal of impairment of investment property	-	(130)
Pension cost less charge	129	(2,466)
Profit on disposal of investment property	(216)	(40)
Profit on disposal of tangible fixed assets	(62)	(14)
(Increase)/decrease in stocks	(540)	254
Decrease in debtors	6,621	9,437
Increase/(decrease) in creditors	2,497	(1,432)
Share of operating profit in joint venture	(1,282)	(1,268)
Cash inflow from operating activities	53,968	56,039

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Notes (Continued)

28 Reconciliation of Net Debt Movements

	2011	2010
	£000	£000
Change in cash	(9,840)	4,098
Change in bank overdrafts	(282)	(473)
Change in net debt resulting from cashflows	25,682	19,040
Movements of net debt in the year	15,560	22,665
Foreign exchange	1,719	9,482
Net debt at 1st April 2010	(695,050)	(727,197)
Net debt at 31st March 2011 (note 29)	(677,771)	(695,050)

29 Analysis of Net Debt

	1st April 2010	Cash Flow	Reclassif-ication	Foreign exchange	31st March 2011
	£000	£000	£000	£000	£000
Cash at bank and in hand	52,328	(9,840)	-	(128)	42,360
Bank overdrafts	(670)	(282)	-	1	(951)
	51,658	(10,122)	-	(127)	41,409
Debt due within one year	(45,128)	27,450	(13,165)	-	(30,843)
Debt due after one year	(701,580)	(1,768)	13,165	1,846	(688,337)
Net debt	(695,050)	15,560	-	1,719	(677,771)

30 Related Party Transactions

Mr J D Chandris, Mr M D Chandris and Mr C MacDonald-Hall are Directors of Ringmerit Limited Mr C MacDonald-Hall is a shareholder of London and Cambridge Properties Limited and Ringmerit Limited

PP SARL, SAS Quartz Properties, SAS Concours and SAS Turquoise Properties are French property owning companies which are wholly owned by Ringmerit Limited

Leathbond Limited

Financial Statements for the year ended 31st March 2011

Notes (Continued)

30 Related Party Transactions (Continued)

A group company has provided loan facilities to these related companies during the year as follows

	Loan Facility £000	Amount drawn at 31st March 2011 £000	Amount drawn down at 31st March 2010 £000
Ringmerit Limited	140,000	88,135	94,060
PP SARL	41,456	41,456	41,771
SAS Quartz Properties	112,209	112,209	113,059
SAS Concours	8,323	8,323	8,386
SAS Turquoise Properties	8,853	8,853	8,920
	310,841	258,976	266,196

The loans provided to Ringmerit Limited are repayable in Sterling or other optional currencies and bear interest at a rate of 2% above LIBOR for Sterling loans and 3 5% above the relevant three month option currency rate for all other loans Under FSA regulations, £15,000,000 of this loan facility has been subordinated

The remaining loans are denominated in Euros and bear interest at 6 5% p a

All of the loans are unsecured and repayable on demand however the directors of the group company have given an undertaking that the loans will not be recalled for at least one year from the balance sheet date The loans have therefore been treated as debtors due after one year in the Group financial statements

The interest receivable during the year and the amount outstanding at the year end were as follows

	Interest receivable		Debtors	
	2011 £000	2010 £000	2011 £000	2010 £000
Ringmerit Limited	3,511	4,219	773	746
PP SARL	2,627	2,834	674	679
SAS Quartz Properties	7,111	7,626	1,823	1,837
SAS Contours	527	565	135	136
SAS Turquoise Properties	563	601	144	145
	14,339	15,845	3,549	3,543

One of the Company's subsidiaries was advanced a loan of £3,134,000 (2010 £4,700,000) from Visiontrend Limited, a company which has a minority interest in London and Cambridge Properties Limited The loan does not bear interest and is repayable in equal monthly instalments from April 2010 to March 2013

Leathbond Limited

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Notes (Continued)

30 **Related Party Transactions (Continued)**

During the year one of the Company's subsidiaries charged helicopter chartering fees to subsidiaries of Ringmerit Limited, Proudreed Limited and Sheet Anchor Properties Limited, companies which Mr C MacDonald-Hall is both a shareholder and director The income was as follows

	2011 £000	2010 £000
Ringmerit Limited	11	24
Proudreed Limited	23	13
Sheet Anchor Limited	6	14
	40	51

Mr A E Tomazos was previously advanced a loan by the Company of £1,750,000 The loan is repayable within four years from the date of drawdown, is unsecured and interest free

31 **Parent Company and Ultimate Parent Undertaking**

In the opinion of the Directors, the immediate parent company at 31st March 2011 was Buxton Limited, a company incorporated in Guernsey, Channel Islands The ultimate parent undertaking was The Spring Partnership There is no single controlling party

32 **Post Balance Sheet Events**

Subsequent to the year end, the Group has acquired one additional industrial property and one additional retail property in the UK for £5 15 million and £2 05 million respectively These have been funded from existing facilities secured against the acquisition of new properties