

**Shetland Leasing and Property Developments
Limited**

Directors' report and financial statements

Registered number SC 71854

31 March 2011

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Directors and advisers

Directors: JH Henry (Chair)
WH Manson (Vice Chair)
AJ Cluness
A Doull
ALG Duncan
CHJ Miller
IJ Hawkins
R Henderson

Secretary: JP Goddard

Registered office: 22-24 North Road
Lerwick
Shetland
ZE1 0NQ

Auditors: KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Bankers: Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2011.

Principal activities

The principal activities of the company are the acquisition and development of investment property and other assets for retention and lease.

Business review

The property portfolio is valued at £15.1 million (with just under £4 million further invested in assets under construction) and generated rents in the year of over £2.6 million, which the Board regards as a satisfactory return. The Company made a Gift Aid payment of £2,709,472 to its parent, Shetland Charitable Trust, during the year. It is intended to make a further Gift Aid payment to Shetland Charitable Trust during the current year.

The North Ness Office Development has progressed well during 2010/11 and the contractor expects to hand over the building by 31 March 2012. Shetland Islands Council have agreed to lease the building for 20 years. Phase 2 of the redevelopment of Scatsta Airport began in 2010/11 and includes the provision of a new air traffic control tower and a new baggage handling facility, and the refurbishment and extension of the terminal building. The company expects to invest around £7 million in these two projects in 2011/12.

Proposed dividend

The directors are not entitled to recommend the payment of a dividend due to the company not having distributable reserves at the year end.

Directors

The directors who held office during the year and up to the date of this report were as follows:

JH Henry (Chair)
WH Manson (Vice Chair)
AJ Cluness
A Doull
ALG Duncan
R Henderson
CHJ Miller
IJ Hawkins

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



JP Goddard
Secretary

22-24 North Road
Lerwick
Shetland

8 September 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and 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 it 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditor's report to the members of Shetland Leasing and Property Developments Limited

We have audited the financial statements of Shetland Leasing and Property Developments Limited for the year ended 31 March 2011 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

DJ Watt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

14 September 2011

Profit and loss account
for the year ended 31 March 2011

	<i>Note</i>	2011 £	2010 £
Turnover	<i>1</i>	2,633,109	2,654,214
Cost of sales		(152,817)	(229,809)
		<hr/>	<hr/>
Gross profit		2,480,292	2,424,405
Administration expenses		(1,758,835)	(42,537)
Gift aid payment to Shetland Charitable Trust	<i>2</i>	(2,709,472)	(3,828,582)
Other operating income	<i>11</i>	3,000	102,055
		<hr/>	<hr/>
Operating loss		(1,985,015)	(1,344,659)
Reversal of investment property valuation deficit		81,400	25,000
Interest receivable and similar income	<i>5</i>	599,037	262,295
		<hr/>	<hr/>
Loss on ordinary activities before taxation	<i>2</i>	(1,304,578)	(1,057,364)
Tax on loss on ordinary activities	<i>6</i>	(1,795)	322,746
		<hr/>	<hr/>
Loss on ordinary activities after taxation being loss for the financial year		(1,306,373)	(734,618)
		<hr/> <hr/>	<hr/> <hr/>

The above results arose wholly from continuing operations.

There is no difference between the loss shown above and the historical cost loss.

There were no recognised gains and losses other than the loss for the financial years reported above.

Balance sheet

at 31 March 2011

	Note	2011	2010
		£	£
Fixed assets			
Tangible assets	7	19,575,832	17,979,127
Investments	8	25,000	25,000
		<hr/>	<hr/>
		19,600,832	18,004,127
Current assets			
Debtors (including £26,000,000 (2010: £31,000,000) due after more than one year)	9	26,324,066	31,178,419
Cash at bank and in hand		4,193,098	2,064,806
		<hr/>	<hr/>
		30,517,164	33,243,225
Creditors: amounts falling due within one year	10	(542,642)	(402,021)
		<hr/>	<hr/>
Net current assets		29,974,522	32,841,204
		<hr/>	<hr/>
Total assets less current liabilities		49,575,354	50,845,331
Deferred income	11	(3,000)	(6,000)
Provisions for liabilities	12	(1,101,087)	(1,099,292)
		<hr/>	<hr/>
Net assets		48,471,267	49,740,039
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	13	70,000,000	70,000,000
Revaluation reserve	14	63,674	26,073
Profit and loss account	14	(21,592,407)	(20,286,034)
		<hr/>	<hr/>
Shareholders' funds		48,471,267	49,740,039
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 8 September 2011 and were signed on its behalf by:

JH Henry
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of investment properties. The financial statements have been prepared on the going concern basis as while the company's current liabilities exceed its current assets, the main element of current liabilities represents an amount due to a subsidiary undertaking which will only be made when the company is in a position to do so.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its financial statements are fully consolidated in the group financial statements prepared by the Shetland Charitable Trust, the company's parent company.

As the company is a 100% owned subsidiary of Shetland Charitable Trust, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Shetland Charitable Trust, within which this company is included, can be obtained from the address given in note 16.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the directors' report on page 2.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19, investment properties (including properties held under leases with more than 20 years' unexpired lease term) are not depreciated or amortised but are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Where a deficit arising on revaluation is expected to be permanent, the deficit is charged to the profit and loss account in the period of revaluation. Reversals of deficits previously treated as permanent are credited to the profit and loss account to the extent that the carrying value remains below cost.

This treatment, as regards investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Assets Under Construction

Assets under construction are shown at the lower of cost or the Directors' assessment of net realisable value.

Notes (continued)

1 Accounting policies (continued)

Other tangible fixed assets and depreciation

Fixed assets are capitalised where the economic benefit of the asset will be provided over more than one financial year. Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Vessels	-	10 years
Aircraft	-	20 years

Investments

Investments in subsidiary undertakings and unlisted investments are stated at cost less any provision required for impairment.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account as other operating income over the estimated useful economic lives of the assets to which they relate.

Turnover

Turnover comprises rental income from the leasing of investment properties, the leasing of an aeroplane and the chartering of a vessel and arises entirely in the United Kingdom.

Rental income from the operating lease of investment properties is recognised on a straight line basis over the period of the lease. Certain of the company's property developments and lease agreements provide for a notional rate of interest to be charged on development costs for the purpose of calculating the rental due. Such notional interest is not reflected in these financial statements, but will effectively be credited to the profit and loss account over the lives of the relevant assets as a component of rental income.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Gift Aid

In accordance with FRS 21 *Events after the balance sheet date*, the company accounts for gift aid payments to its parent charity in the year payments are actually made.

2 (Loss) profit on ordinary activities before taxation

<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)</i>	2011 £	2010 £
Gift Aid payment to Shetland Charitable Trust	2,709,472	3,828,582
Depreciation written off (see note 7)	33,434	33,436
Deficit arising on revaluation, expected to be permanent	1,705,356	45,500
Reversal of investment property valuation deficits	(81,400)	(25,000)
Provision in respect of fixed asset investment	-	5,464,000
Gain on forgiveness of loan from subsidiary undertaking	-	(5,464,000)
	=====	=====
<i>Auditors' remuneration</i>		
Audit of these financial statements	16,500	16,500
Other services: taxation	7,500	7,500
	=====	=====

Notes (continued)

3 Remuneration of directors

The directors received no remuneration from the company during the year (2010: nil).

4 Staff numbers and costs

The company had no employees during the year (2010: none). The Company is administered by staff of its parent organisation, Shetland Charitable Trust.

5 Interest receivable and similar income

	2011	2010
	£	£
On loans	112	373
On bank deposits	15,911	5,649
Interest receivable from parent undertaking	583,014	256,273
	599,037	262,295
	599,037	262,295

6 Taxation

	2011	2010
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year being total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	80,318	(322,713)
Adjustment in respect of prior years	-	(33)
Impact of change in tax rate	(78,523)	-
	1,795	(322,746)
	1,795	(322,746)

Factors affecting the tax charge for the year

The current tax charge is higher (2010: higher) than the standard rate of corporation tax in the UK (28%, 2010: 28%). The differences are explained below:

	2011	2010
	£	£
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(1,304,578)	(1,057,364)
	(365,282)	(296,062)
Current tax at 28% (2010: 28%)	(365,282)	(296,062)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	452,619	(26,651)
Difference between depreciation and capital allowances for the year	8,693	9,362
Other short term timing differences – Gift Aid payments	(89,791)	313,351
Impact of different rate of tax on deferred tax	(6,239)	-
	-	-
	-	-
Total current tax charge (see above)	-	-

Notes (continued)

7 Tangible fixed assets

	Investment properties £	Vessel £	Aircraft £	Assets under construction £	Total £
<i>Cost or valuation</i>					
At beginning of year	16,986,421	246,140	618,705	449,307	18,300,573
Additions	94,541	-	-	3,465,704	3,560,245
Disposals	(343,750)	-	-	-	(343,750)
Revaluations	(1,586,356)	-	-	-	(1,586,356)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	15,150,856	246,140	618,705	3,915,011	19,930,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	-	228,640	92,806	-	321,446
Charge for the year	-	2,500	30,934	-	33,434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	231,140	123,740	-	354,880
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 March 2011	15,150,856	15,000	494,965	3,915,011	19,575,832
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2010	16,986,421	17,500	525,899	449,307	17,979,127
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Investment properties were valued on an open market value for existing use basis as at 31 March 2011 by a professionally qualified valuer. These valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual Practice Statements. The commercial property market in Shetland has not fallen in 2010/11, as Shetland has been largely insulated from the shocks experienced in most of the rest of the UK.

Notes (continued)

8 Fixed asset investments

	Shares in subsidiary undertakings £	Unlisted investments £	Total £
<i>Cost</i>			
At beginning and end of year	6,000,000	625,800	6,625,800
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At beginning and end of year	6,000,000	600,800	6,600,800
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2011	-	25,000	25,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2010	-	25,000	25,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Unlisted investments

	Principal activity	Class and percentage of shares held
Jamieson's Spinning (Shetland) Limited	Yarn spinning and dyeing	6.25% cumulative redeemable £1 preference – 100%

The company's subsidiary undertaking, SLAP (Trading) Limited is dormant. SLAP (Trading) Limited had no assets or liabilities at 31 March 2011. The company was formally removed from the register at Companies House on 20 May 2011.

9 Debtors

	2011		2010	
	Due within one year £	Due outwith one year £	Due within one year £	Due outwith one year £
Loans	-	-	3,829	-
Trade debtors	210,739	-	141,037	-
Amount owed by parent undertaking	-	26,000,000	-	31,000,000
Prepayments and accrued income	13,538	-	33,553	-
Other taxes	99,789	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	324,066	26,000,000	178,419	31,000,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The loans of £26,000,000 (2010: £31,000,000) owed by the company's parent undertaking, Shetland Charitable Trust, represent unsecured loans which are repayable between 2013 and 2015. These loans bear interest at a rate of 1.5% (2010: 0.25%) over the bank base rate.

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	410,820	136,760
Rents received in advance	66,010	66,113
Other creditors and accruals	65,812	116,720
Other taxes	-	82,428
	542,642	402,021
	542,642	402,021

11 Deferred income

	Government grants
	£
At beginning of year	6,000
Released to profit and loss account	(3,000)
	3,000
	3,000

The above capital grants were received from Shetland Islands Council and the European Regional Development Fund.

12 Provision for liabilities

	Deferred taxation
	£
At beginning of year	1,099,292
Charge for the year	80,318
Effect of change in tax rate	(78,523)
	1,101,087
	1,101,087

The deferred tax liability at the year end of £1,101,087 (2010: £1,099,292) is calculated at 26% (2010: 28%) and is analysed as follows:

	2011	2010
	£	£
Accelerated capital allowances	307,613	340,642
Other timing differences: Gift aid	793,474	758,650
	1,101,087	1,099,292
	1,101,087	1,099,292

Notes (continued)

13 Called up share capital

	2011 £	2010 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000,000	100,000,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	70,000,000	70,000,000
	<u> </u>	<u> </u>

14 Reserves

	Revaluation reserve £	Profit and loss account £
At 31 March 2010	26,073	(20,286,034)
Retained loss for the financial year	-	(1,306,373)
Revaluation in the year	37,601	-
	<u> </u>	<u> </u>
At 31 March 2011	63,674	(21,592,407)
	<u> </u>	<u> </u>

15 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	(1,306,373)	(734,618)
Revaluation for the financial year	37,601	-
	<u> </u>	<u> </u>
Net decrease in shareholders' funds	(1,268,772)	(734,618)
Opening shareholders' funds	49,740,039	50,474,657
	<u> </u>	<u> </u>
Closing shareholders' funds	48,471,267	49,740,039
	<u> </u>	<u> </u>

16 Ultimate parent undertaking

The company is a subsidiary undertaking of Shetland Charitable Trust, (Scottish Charity number SC 027025), which is its ultimate parent undertaking. The consolidated accounts of Shetland Charitable Trust include the results of the company and a copy of those accounts may be obtained from 22-24 North Road, Lerwick, Shetland, ZE1 0NQ or can be downloaded at www.shetlandcharitabletrust.co.uk. No other group accounts include the results of the company.