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WEYLAND FARMS LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

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WEYLAND FARMS LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

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COMPANY INFORMATION
AT 31 MARCH 2000

DIRECTORS

J Foubister	
Mrs K A Sutherland	
M J F Drever	- appointed 8 December 1999
M A J Petrie	- appointed 8 December 1999
J M Hamilton	- appointed 8 December 1999
G T Wylie	- resigned 25 May 1999
Mrs M Bichan	- resigned 27 May 1999
Mrs I N C Clyde	- resigned 29 May 1999

SECRETARY

D A Robertson

REGISTERED NUMBER

SC81663

AUDITOR

A. J. B. Scholes
Chartered Accountant and Registered Auditor
37 Albert Street
KIRKWALL
Orkney

PRINCIPAL BANKERS

The Royal Bank of Scotland plc
1 Victoria Street
KIRKWALL
Orkney

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year was farming.

REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £73,337. The results for the previous year are restated in these financial statements, for a reduction of £57,482 to the livestock valuation as at 31st March 1999. The effect of this adjustment on accumulated losses is recorded in note 11 to the financial statements.

Due to the losses sustained in previous years, the directors have agreed that one of the farming units should be offered for lease. The process of advertising for tenders has been initiated.

DIRECTORS AND THEIR INTERESTS

The directors have no interest in the share capital of the company. The directors in office in the year were as follows:

J Foubister	
Mrs K A Sutherland	
M J F Drever	- appointed 8 December 1999
M A J Petrie	- appointed 8 December 1999
J M Hamilton	- appointed 8 December 1999
G T Wylie	- resigned 25 May 1999
Mrs M Bichan	- resigned 27 May 1999
Mrs I N C Clyde	- resigned 29 May 1999

Mrs K A Sutherland and J Foubister retire from the Board at the Annual General Meeting, and being eligible, offer themselves for re-election.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

AUDITOR

A. J. B. Scholes was appointed auditor to the company during the year, and in accordance with section 385 of the Companies Act 1985 is willing to be re-appointed.

SMALL COMPANY PROVISIONS

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 18.12.2000 and signed on its behalf:

.....

D A Robertson
Secretary

AUDITOR'S REPORT TO THE SHAREHOLDERS

I have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITOR

As described in the directors' report, the company's directors are responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

BASIS OF OPINION

I conducted my 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 company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In my opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A. J. B. Scholes
Chartered Accountant and Registered Auditor
37 Albert Street
KIRKWALL
Orkney

Date: 6-12-2000

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £ as restated
TURNOVER		242,580	254,859
Cost of sales		140,390	206,360
GROSS PROFIT		102,190	48,499
Administrative expenses		186,343	185,283
		(84,153)	(136,784)
Other operating income		2,880	2,880
OPERATING LOSS	2	(81,273)	(133,904)
Gain on asset disposals		7,936	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(73,337)	(133,904)
Tax on loss on ordinary activities	4	-	-
ACCUMULATED LOSS FOR THE FINANCIAL YEAR	13	(73,337)	(133,904)

Continuing operations
None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 8 to 14 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2000

	2000 £	1999 £ as restated
Loss for the year after taxation	(73,337)	(133,904)

TOTAL NET LOSSES RECOGNISED SINCE LAST ANNUAL REPORT

Loss for the year after taxation	(73,337)
Prior year adjustment (as explained in note 11)	(57,482)
	(130,819)

The notes on pages 8 to 14 form part of these financial statements.

BALANCE SHEET
AT 31 MARCH 2000

	Notes	£	2000 £	£	1999 £ as restated
FIXED ASSETS					
Tangible assets	5		74,825		73,370
Investments	6		1,042		1,042
			75,867		74,412
CURRENT ASSETS					
Stocks	7	187,957		198,465	
Debtors	8	30,909		46,594	
		218,866		245,059	
CREDITORS: amounts falling due within one year	9	(44,019)		(35,420)	
NET CURRENT ASSETS			174,847		209,639
TOTAL ASSETS LESS CURRENT LIABILITIES			250,714		284,051
CREDITORS: amounts falling due after more than one year	10		(592,691)		(552,691)
NET LIABILITIES			(341,977)		(268,640)
CAPITAL AND RESERVES					
Called up share capital	12		10,000		10,000
Profit and loss account	13		(351,977)		(278,640)
TOTAL SHAREHOLDERS' FUNDS	14		(341,977)		(268,640)

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board of directors on 18.12.2000 and signed on its behalf by:

J Foubister
Director

The notes on pages 8 to 14 form part of these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

Cash flow
The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1: "Cash flow statements".

Turnover
Turnover represents the amounts derived from the provision of goods sold and services rendered during the year, and is stated net of value added tax.

Depreciation of tangible fixed assets
Depreciation is provided at the following annual rates in order to write off the cost of each asset over its useful life:

Heritable property - Central heating	10% reducing balance
Tenant's improvements	10% reducing balance
Plant equipment and machinery	20% - 25% reducing balance

No depreciation has been provided on farm cottages.

Stocks
Stocks are stated at the lower of cost and net realisable value. The cost of home-bred stock is based on 75% of market value, and the cost of bought stock is at purchase price. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Investments
Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value. Dividends are brought to account in the profit and loss account when received.

Deferred taxation
Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Operating lease commitments
Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1. STATEMENT OF ACCOUNTING POLICIES - (continued)

Pension costs
The company pension scheme is a defined benefit pension scheme. Contributions payable to this scheme are charged to the profit and loss account over the working lives of the members of the scheme. The contributions are determined by a qualified actuary on the basis of triennial valuations.

2. OPERATING LOSS

Operating loss is stated	**2000**	**1999**
	£	**£**
After charging:		
Depreciation of fixed assets	6,481	4,637
Directors' remuneration	-	-
Auditor's remuneration	980	1,300
Operating lease rentals		
Land and buildings	22,386	24,790
Plant and machinery	29,041	28,683

3. PENSION COSTS

Defined benefit scheme
The employees are eligible to join an Orkney Islands Council pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the company and Orkney Islands Council, being invested with insurance companies. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employee's working lives with the company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The pension cost for the financial period is based on the actuarial valuation made as at 31 March 1996.

The pension charge for the year was £4,094 (1999: £3,133).

4. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no liability to corporation tax in the year due to the trading losses brought forward.

5. TANGIBLE FIXED ASSETS

	Heritable Property £	Tenant's Improvements £	Plant & Equipment £	Total £
Cost:				
At 1 April 1999	34,443	76,880	24,670	135,993
Additions	-	-	13,500	13,500
Disposals	-	-	(23,000)	(23,000)
At 31 March 2000	34,443	76,880	15,170	126,493
Depreciation:				
At 1 April 1999	1,000	43,852	17,771	62,623
Charge for year	144	3,303	3,034	6,481
On disposals	-	-	(17,436)	(17,436)
At 31 March 2000	1,144	47,155	3,369	51,668
Net book value:				
At 31 March 2000	33,299	29,725	11,801	74,825
At 31 March 1999	33,443	33,028	6,899	73,370

Heritable Property includes £32,000 for farm cottages, which are not depreciated.

6. INVESTMENTS

	Beginning and end of year £
Unlisted investments - at cost	1,042

The directors consider that the value of the company's investments is not less than the amount stated in the company's balance sheet.

The company also owns milk and sheep quota. These quotas have been allocated to the company at no cost, as a result of changes in government agricultural policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

7. STOCKS

	2000 £	1999 £ as restated
Livestock	183,077	191,580
Crop	4,880	6,885
	187,957	198,465

8. DEBTORS

	2000 £	1999 £
Trade debtors	12,948	35,776
Other debtors	17,961	10,818
	30,909	46,594

9. CREDITORS: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	13,939	25,367
Trade creditors	25,644	7,888
Other creditors	4,436	2,165
	44,019	35,420

10. CREDITORS: amounts falling due after more than one year

	2000 £	1999 £
Loan from Orkney Islands Council	592,691	552,691

10. **CREDITORS:** amounts falling due after more than one year - (continued)

This loan has no fixed repayment terms.

11. **ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR**

	2000 £
Accumulated losses at the beginning of the financial year	(221,158)
Prior year adjustment	(57,482)
Adjusted accumulated losses at the beginning of the financial year	(278,640)

The accumulated losses as at 1 April 1999 have been restated to correct an error in livestock valuations in previous periods. The cumulative effect of the restatement of stock was to increase accumulated losses by £57,482. This error has no effect on the reported losses for the financial year ended 31 March 2000.

12. **SHARE CAPITAL**

	2000 £	1999 £
Authorised:		
Equity interests:		
10,000 Ordinary shares of £1	10,000	10,000
Allotted, called up and fully paid:		
Equity interests:		
10,000 Ordinary shares of £1	10,000	10,000

13. PROFIT AND LOSS ACCOUNT

	2000 £
Accumulated loss as at 1 April 1999	(221,158)
Prior year adjustments	(57,482)
Accumulated loss as at 1 April 1999 as restated	(278,640)
Loss for the year	(73,337)
Accumulated loss as at 31 March 2000	(351,977)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £ as restated
Loss for the year	(73,337)	(133,904)
Opening shareholders' funds	(211,158)	(134,736)
Prior year adjustment	(57,482)	-
Closing shareholders' funds	(341,977)	(268,640)
Represented by:-		
Equity interests	(341,977)	(268,640)

15. RELATED PARTY DISCLOSURES

During the year, the company entered into the following related party transactions with its controlling party, Orkney Islands Council.

		2000 £	1999 £
Income	Loan received	40,000	20,000
Expenditure	Payroll costs	64,998	65,574
	Leasing charges	24,641	25,938
	Rent	17,000	21,000
	Service charge	11,600	7,000
	Insurance	4,813	-
	Tractor Hire	-	2,745
	Miscellaneous expenses	-	363
		123,052	122,620

The following balances were due to Orkney Islands Council at year end:

Trade creditors	17,563	-
Long term loan	592,691	552,691
	610,254	552,691

Orkney Islands Council has provided the directors with a guarantee to support and underwrite the company in the next twelve months.

16. ULTIMATE PARENT ORGANISATION

The ultimate parent organisation is Orkney Islands Council, a local authority incorporated under the Local Government Scotland Act 1973.

WEYLAND FARMS LTD

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	2000		1999 as restated	
	£	£	£	£
Gross Output				
Cattle		78,380		8,211
Sheep		10,400		5,195
Crop		2,146		2,778
Milk		117,760		122,044
Rent of cottages		2,880		2,880
Sundry Income		1,752		10,333
		213,318		151,441
Crop Expenses				
Fertilisers	12,039		18,072	
Seeds	3,700		3,469	
Contract Work	14,391		4,707	
Other Crop Expenses	2,596	32,726	2,063	28,311
Livestock Expenses				
Feed	34,969		35,126	
Veterinary and Medicines	12,792		13,537	
Milk and Dairy Expenses	12,526		9,736	
Haulage	7,308		7,650	
Sundry Livestock Expenses	7,927	75,522	5,702	71,751
Labour Costs				
Wages and NI	66,837		66,555	
Protective Clothing	104	66,941	186	66,741
Machinery and Equipment Expenses				
Lease Charges	24,641		25,938	
Repairs and Maintenance	9,340		12,326	
Electricity	7,980		8,085	
Petrol and Oil	5,220		4,302	
Depreciation	3,034		807	
Hire of Plant and Machinery	4,400		2,745	
Other Costs	275	54,890	315	54,518
C/f		(16,761)		(69,880)

WEYLAND FARMS LTD

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	2000		1999 as restated	
	£	£	£	£
B/f		(16,761)		(69,880)
General Overheads				
Rents	22,386		24,790	
Insurances	4,813		4,610	
Repairs to Property	5,320		6,825	
Fencing	1,037		219	
Water	12,298		9,936	
Telephone	624		468	
Audit and Accountancy	1,315		1,300	
Other Costs	13,272		12,046	
Depreciation of Properties	3,447	64,512	3,830	64,024
Other Income and Expenses				
Gain on sale of assets		(7,936)		-
NET LOSS FOR THE YEAR		(73,337)		(133,904)

WEYLAND FARMS LTD

SCHEDULE OF GROSS OUTPUT
FOR THE YEAR ENDED 31 MARCH 2000

	£	£	£
Year ended 31 March 2000	**CATTLE**	**SHEEP**	**CROP**
Stock at 1 April 1999	181,880	9,700	6,510
Purchases	16,846	5,163	-
	198,726	14,863	6,510
Sales	78,551	13,242	-
Subsidies	23,441	4,058	3,776
Stock at 31 March 2000	175,114	7,963	4,880
	277,106	25,263	8,656
GROSS OUTPUT	78,380	10,400	2,146

Year ended 31 March 1999 - as restated

Stock at 1 April 1998	268,225	13,785	6,510
Purchases	14,874	994	-
	283,099	14,779	6,510
Sales	86,279	6,890	-
Subsidies	23,151	3,384	2,778
Stock at 31 March 1999	181,880	9,700	6,510
	291,310	19,974	9,288
GROSS OUTPUT	8,211	5,195	2,778