Company Registration No. SC81663 (Scotland)

WEYLAND FARMS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003



WEYLAND FARMS LTD

COMPANY INFORMATION

Directors	J Foubister Mrs K A Sutherland M J F Drever J M Hamilton
Secretary	M Burr
Company number	SC81663
Registered office	Council Offices Kirkwall Orkney KW15 1NY
Auditor	A J B Scholes 37 Albert Street Kirkwall Orkney KW15 1HQ
Bankers	Royal Bank of Scotland plc 1 Victoria Street Kirkwall Orkney KW15 1DP

WEYLAND FARMS LTD

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WEYLAND FARMS LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2003

The directors present their report and financial statements for the year ended 31 March 2003.

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

Directors
The following directors have held office since 1 April 2002:

J Foubister
Mrs K A Sutherland
M J F Drever
M A J Petrie (Resigned 29 August 2003)
J M Hamilton

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

Directors' interests
There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditor
In accordance with section 385 of the Companies Act 1985, a resolution proposing that A J B Scholes be reappointed as auditor of the company will be put to the Annual General Meeting.

Directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and 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 keeping 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.

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

On behalf of the board

J Foubister
Director
Date 21/04/04

WEYLAND FARMS LTD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WEYLAND FARMS LTD

I have audited the financial statements of Weyland Farms Ltd on pages 3 to 11 for the year ended 31 March 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. My audit work has been undertaken so that I might state to the company's members those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions I have formed.

Respective responsibilities of the directors and auditor

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. I also report to you if, in my opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

I read the directors' report and consider the implications for my report if I become aware of any apparent misstatement within it.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom 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 that 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 the company's affairs as at 31 March 2003 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
Registered Auditor

37 Albert Street
Kirkwall
Orkney
KW15 1HQ

WEYLAND FARMS LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
Turnover		141,501	126,031
Cost of sales		(79,121)	(44,239)
Gross profit		62,380	81,792
Administrative expenses		(95,277)	(97,026)
Other operating income		3,264	3,120
Operating loss	2	(29,633)	(12,114)
Gain on sale of tangible assets	2	2,450	3,638
Loss on ordinary activities before taxation		(27,183)	(8,476)
Tax on loss on ordinary activities	3	-	-
Loss on ordinary activities after taxation	11	(27,183)	(8,476)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

WEYLAND FARMS LTD

BALANCE SHEET
AS AT 31 MARCH 2003

	Notes	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	4		58,833		59,337
Investments	5		32,383		32,383
			91,216		91,720
Current assets					
Stocks		112,707		133,635	
Debtors	6	22,470		21,791	
Cash at bank and in hand		32,427		17,177	
		167,604		172,603	
Creditors: amounts falling due within one year	7	(14,538)		(52,858)	
Net current assets			153,066		119,745
Total assets less current liabilities			244,282		211,465
Creditors: amounts falling due after more than one year	8		(119,480)		(59,480)
			124,802		151,985
Capital and reserves					
Called up share capital	10		510,000		510,000
Profit and loss account	11		(385,198)		(358,015)
Shareholders' funds - equity interests	12		124,802		151,985

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

The financial statements were approved by the Board on 21.01.04

J Foubister

J Foubister
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

1 Accounting policies

1 .1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1 .2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1 .3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1 .4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings - Freehold	Up to 10% reducing balance
Tenant's improvements	10% reducing balance
Plant and machinery	20% - 25% reducing balance

No depreciation has been provided on farm cottages.

1 .5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1 .6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1 .7 Stock

Livestock is stated at 75% of market value or at purchase price. Other stock is valued at the lower of cost and net realisable value.

1 .8 Pensions

The company employees are eligible to join a defined benefit local government 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. These contributions are invested separately from the company's assets.

The company has adopted the transitional arrangements for FRS17 disclosure. The pension scheme deficit and movements in the year are detailed in the notes to the financial statements.

1 .9 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

2 Operating loss

	2003	2002
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	5,639	5,646
Operating lease rentals		
- Plant and machinery	1,774	4,511
- Other assets	15,642	15,791
Auditor's remuneration	1,000	980

3 Taxation

There is no tax charge for the year. The company has estimated losses of £ 410,000 (2002 : £ 378,000) available for carry forward against future trading profits.

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 April 2002	68,617	29,931	98,548
Additions	-	5,360	5,360
Disposals	-	(281)	(281)
At 31 March 2003	68,617	35,010	103,627
Depreciation			
At 1 April 2002	28,107	11,104	39,211
On disposals	-	(56)	(56)
Charge for the year	851	4,788	5,639
At 31 March 2003	28,958	15,836	44,794
Net book value			
At 31 March 2003	39,659	19,174	58,833
At 31 March 2002	40,510	18,827	59,337

5 Fixed asset investments

	Unlisted investments
	£
Cost	
At 1 April 2002 & at 31 March 2003	32,383

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

6	Debtors	2003 £	2002 £
	Trade debtors	19,467	3,834
	Other debtors	3,003	17,957
		22,470	21,791

7	Creditors: amounts falling due within one year	2003 £	2002 £
	Trade creditors	11,001	14,341
	Other creditors	3,537	38,517
		14,538	52,858

8	Creditors: amounts falling due after more than one year	2003 £	2002 £
	Other creditors	119,480	59,480
	Analysis of loans		
	Not wholly repayable within five years other than by instalments	119,480	59,480
	Loan maturity analysis		
	In more than five years	119,480	59,480

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

9 Pension Costs

Defined benefit

The company's employees are eligible to join a Local Government pension scheme, which is a defined benefit statutory scheme. The most recent full actuarial valuation was on 31 March 2002 and was carried out by a qualified independent actuary. An updated valuation has been prepared at 31 March 2003 for the purposes of FRS17 disclosure. Contributions to the scheme are determined by the actuary on the basis of triennial valuations using the projected unit method. The agreed contribution rate for future years is 2004 - 14.6%, 2005 - 16.1% and 2006 - 17.3%.

	2003 %
The main financial assumptions are as follows:	
Rate of increase in salaries	4.00
Rate of increase in pensions in payment	2.50
Discount rate	5.40
Inflation assumption	2.50
The long term expected rates of return are as follows:	
Equities	8.00
Bonds	4.80
Other assets	4.00

	2003 £
The assets in the scheme are as follows:	
Equities	39,000
Bonds	11,000
Other assets	4,000
	54,000
Present value of scheme liabilities	80,000
Deficit in scheme	(26,000)
Related deferred tax liability	-
Net pension liability	(26,000)

9 **Pension Costs** **(continued)**

Amounts that would have been recognised under FRS17 rules.

Charge to Operating Profit	
Current service cost	4,000
Past service cost	-
Total operating charge	4,000
Credit to Other Finance Income	
Expected return on pension scheme assets	6,000
Interest on pension scheme liabilities	(5,000)
Net return	1,000
Actuarial Gains/(Losses)	
Actuarial return less expected return on pension scheme assets	(17,000)
Experience gains and losses arising on scheme liabilities	2,000
Changes in assumptions underlying the present value of scheme liabilities	(2,000)
Actuarial losses	(17,000)

Movement in deficit during the year	**2003 £**
Deficit in scheme at 01 April 2002	(8,000)
Operating charge	(4,000)
Other finance income	(1,000)
Contributions made	4,000
Actuarial losses	(17,000)
Deficit in scheme at 31 March 2003	(26,000)

The following gives the gains and losses in the scheme for the year:

Difference between the expected and actual return on scheme assets	(18,000)
Percentage of assets	(32.7%)
Experience gains/(losses) on liabilities	2,000
Percentage of present value of the scheme liabilities	3.0%
Total actuarial gains/(losses)	(17,000)
Percentage of present value of the scheme liabilities	(21.3%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

10 Share capital	2003 £	2002 £
Authorised		
510,000 Ordinary shares of £ 1 each	510,000	510,000
Allotted, called up and fully paid		
510,000 Ordinary shares of £ 1 each	510,000	510,000

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2002	(358,015)
Retained loss for the year	(27,183)
Balance at 31 March 2003	(385,198)

12 Reconciliation of movements in shareholders' funds	2003 £	2002 £
Loss for the financial year	(27,183)	(8,476)
Opening shareholders' funds	151,985	160,461
Closing shareholders' funds	124,802	151,985

13 Financial commitments

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2003 £	2002 £
Expiry date:		
In over five years	8,500	8,500

14 Control

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

15 Related party transactions

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

	2003	2002
	£	£
Expenditure		
Rent	8,500	8,500
Service charges	12,800	11,400
Insurance	1,050	4,011
	22,350	23,911
Creditors		
Trade creditors and accruals	2,125	47,418
Long term loan	119,480	59,480
	121,605	106,898

Orkney Islands Council has confirmed that it will support and underwrite the company in the next twelve months.