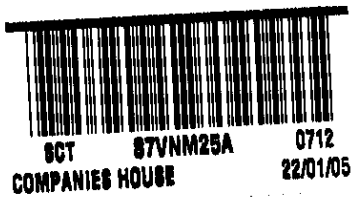
Company Registration No. SC81663 (Scotland)

WEYLAND FARMS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004



WEYLAND FARMS LTD

COMPANY INFORMATION

Directors	J Foubister Mrs K A Sutherland M J F Drever J M Hamilton J W R Moar (Appointed 21 January 2004)
Secretary	M Burr
Company number	SC81663
Registered office	Council Offices Kirkwall Orkney KW15 1NY
Auditors	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 2004

The directors present their report and financial statements for the year ended 31 March 2004.

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

Directors
The following directors have held office since 1 April 2003:

J Foubister	
Mrs K A Sutherland	
M J F Drever	
M A J Petrie	(Resigned 29 August 2003)
J M Hamilton	
J W R Moar	(Appointed 21 January 2004)

J Foubister and J M Hamilton 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' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

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

J Foubister

Director

Date 20/01/05

WEYLAND FARMS LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WEYLAND FARMS LTD

I have audited the financial statements of Weyland Farms Ltd on pages 4 to 13 for the year ended 31 March 2004. 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 auditors

As described in the statement of directors' responsibilities on page 2 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 misstatements within it.

Basis of audit opinion

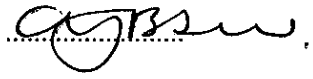
I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 me 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A J B Scholes
Chartered Accountants
Registered Auditor



37 Albert Street
Kirkwall
Orkney

WEYLAND FARMS LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
Turnover		157,409	141,501
Cost of sales		(66,474)	(79,121)
Gross profit		90,935	62,380
Administrative expenses		(90,747)	(95,277)
Other operating income		2,473	3,264
Operating profit/(loss)	2	2,661	(29,633)
Gain on sale of tangible assets	2	13,119	2,450
Profit/(loss) on ordinary activities before taxation		15,780	(27,183)
Tax on profit/(loss) on ordinary activities	3	-	-
Profit/(loss) on ordinary activities after taxation	11	15,780	(27,183)

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 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	4		21,543		58,833
Investments	5		32,383		32,383
			53,926		91,216
Current assets					
Stocks		118,459		112,707	
Debtors	6	37,206		22,470	
Cash at bank and in hand		30,755		32,427	
		186,420		167,604	
Creditors: amounts falling due within one year	7	(7,506)		(14,538)	
Net current assets			178,914		153,066
Total assets less current liabilities			232,840		244,282
Creditors: amounts falling due after more than one year	8		(92,260)		(119,480)
			140,580		124,802
Capital and reserves					
Called up share capital	10		510,000		510,000
Profit and loss account	11		(369,420)		(385,198)
Shareholders' funds - equity interests	12		140,580		124,802

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 20/01/05

J Foubister

J Foubister
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies **(continued)**

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.

2 Operating profit/(loss)

	2004	2003
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	4,541	5,639
Operating lease rentals		
- Plant and machinery	1,750	1,774
- Other assets	14,079	15,642
Auditor's remuneration	1,000	1,000

3 Taxation

There is no tax charge for the year. The company has estimated losses of £ 410,000 (2003: £ 410,000) available for carry forward against future trading profits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 April 2003	68,617	35,010	103,627
Additions	-	1,350	1,350
Disposals	(34,443)	(1,800)	(36,243)
At 31 March 2004	34,174	34,560	68,734
Depreciation			
At 1 April 2003	28,959	15,836	44,795
On disposals	(1,497)	(648)	(2,145)
Charge for the year	671	3,870	4,541
At 31 March 2004	28,133	19,058	47,191
Net book value			
At 31 March 2004	6,041	15,502	21,543
At 31 March 2003	39,659	19,174	58,833

5 Fixed asset investments

	Unlisted investments
	£
Cost	
At 1 April 2003 & at 31 March 2004	32,383

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

6	**Debtors**	**2004**	**2003**
		£	**£**
	Trade debtors	34,613	19,467
	Other debtors	2,593	3,003
		37,206	22,470

7	**Creditors: amounts falling due within one year**	**2004**	**2003**
		£	**£**
	Trade creditors	5,920	11,001
	Other creditors	1,586	3,537
		7,506	14,538

8	**Creditors: amounts falling due after more than one year**	**2004**	**2003**
		£	**£**
	Other creditors	92,260	119,480
	Analysis of loans		
	Not wholly repayable within five years other than by instalments	92,260	119,480
	Loan maturity analysis		
	In more than five years	92,260	119,480

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 2004 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%.

	2004 %	2003 %
The main financial assumptions are as follows:		
Rate of increase in salaries	4.40	4.00
Rate of increase in pensions in payment	2.90	2.50
Discount rate	5.50	5.40
Inflation assumption	2.90	2.50
The long term expected rates of return are as follows:		
Equities	7.70	8.00
Bonds	5.10	4.80
Other assets	4.00	4.00

	2004 £	2003 £
The assets in the scheme are as follows:		
Equities	54,000	39,000
Bonds	12,000	11,000
Other assets	6,000	4,000
Present value of scheme liabilities	91,000	80,000
Deficit in scheme	(19,000)	(26,000)
Related deferred tax liability	-	-
Net pension liability	(19,000)	(26,000)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

9 Pension Costs **(continued)**

Amounts that would have been recognised under FRS17 rules.

Charge to Operating Profit		
Current service cost	4,000	4,000
Past service cost	-	-
Total operating charge	4,000	4,000
Credit to Other Finance Income		
Expected return on pension scheme assets	4,000	6,000
Interest on pension scheme liabilities	(4,000)	(5,000)
Net return	-	1,000
Actuarial Gains/(Losses)		
Actuarial return less expected return on pension scheme assets	13,000	(17,000)
Experience gains and losses arising on scheme liabilities	(2,000)	2,000
Changes in assumptions underlying the present value of scheme liabilities	(4,000)	(2,000)
Actuarial losses	7,000	(17,000)

Movement in deficit during the year	**2004 £**	**2003 £**
Deficit in scheme at 01 April 2003	(26,000)	(8,000)
Operating charge	(4,000)	(4,000)
Other finance income	-	(1,000)
Contributions made	4,000	4,000
Actuarial losses	7,000	(17,000)
Deficit in scheme at 31 March 2004	(19,000)	(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	13,000	(18,000)
Percentage of assets	17.60%	(32.70%)
Experience gains/(losses) on liabilities	(2,000)	2,000
Percentage of present value of the scheme liabilities	(1.70%)	3.00%
Total actuarial gains/(losses)	7,000	(17,000)
Percentage of present value of the scheme liabilities	8.00%	(21.30%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

10 Share capital

	2004 £	2003 £
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 2003	(385,200)
Retained profit for the year	15,780
Balance at 31 March 2004	(369,420)

12 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit/(Loss) for the financial year	15,780	(27,183)
Opening shareholders' funds	124,802	151,985
Closing shareholders' funds	140,580	124,802

13 Financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	Land and buildings 2003 £
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.

15 Related party transactions

	2004	2003
	£	£
During the year, the company entered into the following transactions with its controlling party, Orkney Islands Council.		
Expenditure		
Rent	8,500	8,500
Service charges	11,050	12,800
Insurance, Water, Gas	356	1,050
	19,906	22,350
Creditors		
Trade creditors and accruals	-	2,125
Long term loan	92,260	119,480
	92,260	121,605

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

WEYLAND FARMS LTD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

	£	2004 £	£	2003 £
Turnover				
Cattle sales		85,559		80,403
Cattle subsidies		50,387		43,808
Sheep sales		10,092		10,176
Sheep subsidies		2,459		2,129
Sundry income		4,980		1,480
Arable aid		3,932		3,505
		157,409		141,501
Cost of sales				
Opening stock - cattle	96,950		119,550	
Opening stock - sheep	8,602		6,794	
Opening stock - crop	5,470		5,284	
Purchases - cattle	37,686		20,459	
Purchases - sheep	2,680		3,516	
Purchases - crop	516		-	
Veterinary and medicine	4,832		4,839	
Feed	4,457		5,188	
Haulage	1,826		2,008	
Sundry livestock expenses	3,871		5,667	
Contract work	4,028		5,769	
Seed and fertiliser	11,898		9,839	
Other crop expenses	2,117		1,230	
	184,933		190,143	
Closing stock - cattle	(106,289)		(96,950)	
Closing stock - sheep	(6,820)		(8,602)	
Closing stock - crop	(5,350)		(5,470)	
		(66,474)		(79,121)
Gross profit		90,935		62,380
Administrative expenses		(90,747)		(95,277)
		188		(32,897)
Other operating income				
Rent receivable		2,473		3,264
Operating profit/(loss)		2,661		(29,633)
Exceptional items				
Gain on sale of tangible assets		13,119		2,450

WEYLAND FARMS LTD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

	£	2004 £	£	2003 £
Profit/(loss) before taxation		15,780		(27,183)

WEYLAND FARMS LTD

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 MARCH 2004

	2004	2003
	£	£
Administrative expenses		
Wages and salaries	41,372	39,951
Staff pension costs	4,081	3,719
Lease charges	-	750
Rent	14,079	15,642
Hire of machinery	1,750	1,774
Water charges	2,618	2,187
Insurance	501	5,435
Light and heat	822	915
Repairs to property	3,922	1,455
Machinery repairs	5,316	3,427
Protective clothing	51	-
Fencing	675	980
Fuel and oil	3,550	2,946
Telephone	186	222
Accountancy	1,360	1,150
Sundry expenses	5,923	9,085
Depreciation	4,541	5,639
	90,747	95,277