Company Registration No. SC81663 (Scotland)

WEYLAND FARMS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



WEYLAND FARMS LTD

COMPANY INFORMATION

Directors	J Foubister Mrs K A Sutherland M J F Drever J M Hamilton J W R Moar
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	The 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 2005

The directors present their report and financial statements for the year ended 31 March 2005.

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

Directors
The following directors have held office since 1 April 2004:

J Foubister
Mrs K A Sutherland
M J F Drever
J M Hamilton
J W R Moar

M J F Drever and Mrs K A Sutherland 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 auditors 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 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 18 January 2006

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 3 to 11 for the year ended 31 March 2005. 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 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 or 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

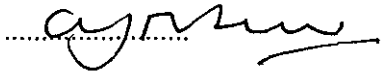
I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2005 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 Accountants
Registered Auditor



37 Albert Street
Kirkwall
Orkney

WEYLAND FARMS LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Turnover		154,576	157,409
Cost of sales		(68,569)	(66,474)
Gross profit		86,007	90,935
Administrative expenses		(106,868)	(90,747)
Other operating income		-	2,473
Operating (loss)/profit	2	(20,861)	2,661
Gain on sale of tangible assets		5,554	13,119
Loss on write off of quota		(31,200)	-
(Loss)/profit on ordinary activities before taxation		(46,507)	15,780
Tax on (loss)/profit on ordinary activities	3	-	-
(Loss)/profit on ordinary activities after taxation	11	(46,507)	15,780

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 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	4		32,470		21,543
Investments	5		1,183		32,383
			33,653		53,926
Current assets					
Stocks		117,532		118,459	
Debtors	6	42,138		37,206	
Cash at bank and in hand		19,870		30,755	
		179,540		186,420	
Creditors: amounts falling due within one year	7	(6,860)		(7,506)	
Net current assets			172,680		178,914
Total assets less current liabilities			206,333		232,840
Creditors: amounts falling due after more than one year	8		(112,260)		(92,260)
			94,073		140,580
Capital and reserves					
Called up share capital	10		510,000		510,000
Profit and loss account	11		(415,927)		(369,420)
Shareholders' funds - equity interests	12		94,073		140,580

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 18 January 2006

J Foubister

J Foubister
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

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, which have been applied consistently (except as otherwise stated).

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 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 Investments

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

1.6 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.

1.7 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.

1.8 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by any timing differences between the treatment of certain items for taxation and accounting purposes. There is no deferred tax balance for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

2 Operating (loss)/profit	2005	2004
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	7,085	4,541
Operating lease rentals		
- Plant and machinery	1,827	1,750
- Other assets	12,880	14,079
Auditor's remuneration	1,250	1,000

3 Taxation

There is no tax charge for the year. The company has estimated losses of £ 413,039 (2004: £ 410,246) available for carry forward against future trading profits.

The company has a capital loss of £31,200 available to carry forward against future capital gains.

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 April 2004	34,174	34,560	68,734
Additions	-	23,461	23,461
Disposals	-	(16,038)	(16,038)
At 31 March 2005	34,174	41,983	76,157
Depreciation			
At 1 April 2004	28,133	19,058	47,191
On disposals	-	(10,591)	(10,591)
Charge for the year	604	6,483	7,087
At 31 March 2005	28,737	14,950	43,687
Net book value			
At 31 March 2005	5,437	27,033	32,470
At 31 March 2004	6,041	15,502	21,543

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

5 Fixed asset investments

	Unlisted investments £
Cost	
At 1 April 2004	32,383
Disposals	(31,200)
At 31 March 2005	1,183
Net book value	
At 31 March 2005	1,183
At 31 March 2004	32,383

6 Debtors

	2005 £	2004 £
Trade debtors	35,645	34,613
Other debtors	6,493	2,593
	42,138	37,206

7 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	4,823	5,920
Other creditors	2,037	1,586
	6,860	7,506

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

8 Creditors: amounts falling due after more than one year	2005 £	2004 £
Other creditors	112,260	92,260
Analysis of loans		
Not wholly repayable within five years other than by instalments	112,260	92,260
Loan maturity analysis		
In more than five years	112,260	92,260

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 2005 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 2005-2006 is 17.7%.

The disclosure of the Local Government pension scheme for the transitional arrangements of FRS17 is as follows:

	2005 %	2004 %	2003 %
The main financial assumptions are as follows:			
Rate of increase in salaries	4.40	4.40	4.00
Rate of increase in pensions in payment	2.90	2.90	2.50
Discount rate	5.40	5.50	5.40
Inflation assumption	2.90	2.90	2.50
The long term expected rates of return are as follows:			
Equities	7.70	7.70	8.00
Bonds	4.80	5.10	4.80
Property	5.70	6.50	6.00
Other assets	4.80	4.00	4.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

9 Pension Costs **(continued)**

	2005 £	2004 £	2003 £
The assets in the scheme are as follows:			
Equities	62,000	54,000	39,000
Bonds	13,000	12,000	11,000
Other assets	6,000	6,000	4,000
	81,000	72,000	54,000
Present value of scheme liabilities	98,000	91,000	80,000
Deficit in scheme	(17,000)	(19,000)	(26,000)
Related deferred tax liability	-	-	-
Net pension liability	(17,000)	(19,000)	(26,000)
Amounts that would have been recognised under FRS17 rules.			
Charge to Operating Profit			
Current service cost	4,000	4,000	4,000
Past service cost	-	-	-
Total operating charge	4,000	4,000	4,000
Credit to Other Finance Income			
Expected return on pension scheme assets	5,000	4,000	6,000
Interest on pension scheme liabilities	(5,000)	(4,000)	(5,000)
Net return	-	-	1,000
Actuarial Gains/(Losses)			
Actuarial return less expected return on scheme assets	3,000	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	(1,000)	(4,000)	(2,000)
Actuarial gains/(losses)	2,000	7,000	(17,000)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

9 Pension Costs **(continued)**

	2005	2004	2003
	£	£	£
Movement in deficit during the year			
Deficit in scheme at start of year	(19,000)	(26,000)	(8,000)
Operating charge	(4,000)	(4,000)	(4,000)
Other finance income	-	-	(1,000)
Contributions made	4,000	4,000	4,000
Actuarial gains/(losses)	2,000	7,000	(17,000)
Deficit in scheme at end of year	(17,000)	(19,000)	(26,000)
The following gives the gains and losses in the scheme for the year:			
Difference between the expected and actual return	3,000	13,000	(18,000)
Percentage of assets	3.9%	17.6%	(33.3%)
Experience gains/(losses) on liabilities	-	(2,000)	2,000
Percentage of present value of the scheme liabilities	0.0%	(1.9%)	2.5%
Total actuarial gains/(losses)	2,000	7,000	(17,000)
Percentage of present value of the scheme liabilities	2.0%	8.0%	(21.3%)

10 Share capital

	2005	2004
	£	£
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 2004	(369,420)
Retained loss for the year	(46,507)
Balance at 31 March 2005	(415,927)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

12 Reconciliation of movements in shareholders' funds	2005 £	2004 £
(Loss)/Profit for the financial year	(46,507)	15,780
Opening shareholders' funds	140,580	124,800
Closing shareholders' funds	94,073	140,580

13 Financial commitments

At 31 March 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2006:

	Land and buildings 2005 £	2004 £
Operating leases which expire:		
Within one year	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

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

	2005 £	2004 £
Expenditure		
Rent	8,500	8,500
Service charges	15,183	11,050
Insurance, Water, Gas	2,667	356
	26,350	19,906
Creditors		
Trade creditors and accruals	102	-
Long term loan	112,260	92,260
	112,362	92,260

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