

Report of the Directors and
Financial Statements
for the Year Ended 31 December 2010
for
North Highland Products Limited

**A Company Limited by Guarantee and
not having any Share Capital**

**Contents of the Financial Statements
for the Year Ended 31 December 2010**

	Page
Company Information	1
Chairman's Report	2
Report of the Directors	3
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7

North Highland Products Limited
Company Information
for the Year Ended 31 December 2010

DIRECTORS: D H Miller
R M Cracknell
D R Whiteford
Ms C Whitfield
S C Wood
R McKinnon

SECRETARY: Mrs L Macdonald

REGISTERED OFFICE: 34A High Street
Wick
Caithness
KW1 4BS

REGISTERED NUMBER: SC276482 (Scotland)

AUDITORS: Victor T Fraser & Co
Chartered Accountants and Registered Auditors
Market Place
Wick
Caithness
KW1 4LP

Chairman's Report
for the Year Ended 31 December 2010

Dear Supplier,

As I write this we have enjoyed a fantastic spell of spring weather and grass growth has been exceptional, this hopefully will balance out the hard winter we experienced. The UK has been swept up in the excitement of a royal wedding and I am delighted to say that Mey Selections beef and lamb were both key ingredients in two functions at Buckingham Palace.

Prior to the AGM last year we sent out the 2009 accounts and the provisional (2010) 6 month management figures. I am pleased to report that this level of profit held steady throughout 2010 and NHP has finished 2010 with a profit of £51,000. This modest profit is on top of premium returned and demonstrates that the actions taken by the board to stem losses, reduce costs and concentrate on the core of beef and lamb was the right one. It is worth pointing out that part of the change that has earned the profit figure comes from our new way of working which means that we no longer "trade" the livestock. This substantially lowers the turnover figure in the accounts but does not reflect any significant reduction in livestock sold. During 2010 4,657 cattle and 25,577 lambs were sold under the brand, Mey Selections. We are conscious that competition for livestock is keen but we are able to offer a premium Mey Selections/North Highland brands.

In March of this year, Tom Campbell, became Managing Director, replacing Rob McKinnon who has moved to pastures new but who stays on as a director of NHP. Tom is also Chief Executive of The North Highland Initiative which is playing a much more active role in linking the various "arms" of the initiative together.

Big news of the year is the North Highland Beef/lamb brand in Sainsbury, where despite pressures on consumers' wallets and the general economic climate, is selling well as the premium offer on the counter in J Sainsbury. During the coming year we will be developing closer links with Sainsbury and our processing partner, ABP for beef and Dunbia for lamb. With our processing partners we are developing the Sainsbury producer groups for beef and lamb to ensure it adds value to you the supplier as well as being kept up to date with the developments in the industry that affect the retail sector and consumers.

At the AGM we are putting 2 proposals before the wider membership, the first to allow us to pay a bonus to suppliers, on top of what we pay currently, and the second to allow us to tailor our membership to those that have traded with us recently. This latter point will enable the business to run more effectively and reduce the cost of administration while protecting the interests of you, the producer, and the other gives the company the ability to pay a bonus at the end of the year over and above the current premium.

AGM's are always a time for reflection and I would like to thank all those who have supported the company during the past year and who will continue that support in 2011-2012. The success of Mey Selections is about commitment from producers, suppliers and the Board. I would like to record my personal thanks to the Board for the support they have given and their determination to ensure the continued development and success of the company.

Yours faithfully



Danny Miller
Chairman North Highland Products

North Highland Products Limited (Registered number: SC276482)
Report of the Directors
for the Year Ended 31 December 2010

The directors present their report with the financial statements of the company for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the development, promotion and marketing of food produce from the North Highland Area.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report.

D H Miller
R M Cracknell
D R Whiteford
Ms C Whitfield

Other changes in directors holding office are as follows:

D Richard-Jones - resigned 13 September 2010
A S Baker – resigned 25 January 2011
S C Wood - appointed 6 August 2010
R McKinnon – appointed 25 January 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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 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 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order 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

The auditors, Victor T Fraser & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

.....
D H Miller -Director

Date: 29 April 2011

**Report of the Independent Auditors to the Members of
North Highland Products Limited**

We have audited the financial statements of North Highland Products Limited for the year ended 31 December 2010 on pages five to nine. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page two, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 Report of the Directors 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; or
- the directors were not entitled to prepare the financial statements and the Report of the Directors in accordance with the small companies regime.

John F Cormack (Senior Statutory Auditor)
for and on behalf of Victor T Fraser & Co
Chartered Accountants and Registered Auditors
Market Place
Wick
Caithness
KW1 4LP

Date: 29 April 2011

North Highland Products Limited (Registered number: SC276482)

Profit and Loss Account
for the Year Ended 31 December 2010

	Notes	2010 £	2009 £
TURNOVER		2,174,966	6,681,687
Cost of sales		<u>1,928,441</u>	<u>6,455,192</u>
GROSS PROFIT		246,525	226,495
Administrative expenses		<u>214,309</u>	<u>460,501</u>
		32,216	(234,006)
Other operating income		<u>29,461</u>	<u>53,085</u>
OPERATING PROFIT/(LOSS)	2	61,677	(180,921)
Interest receivable and similar income		<u>52</u>	<u>169</u>
		61,729	(180,752)
Interest payable and similar charges		<u>10,464</u>	<u>6,538</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		51,265	(187,290)
Tax on profit/(loss) on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		<u><u>51,265</u></u>	<u><u>(187,290)</u></u>

The notes form part of these financial statements

North Highland Products Limited (Registered number: SC276482)

Balance Sheet
31 December 2010

	Notes	2010 £	£	2009 £	£
FIXED ASSETS					
Tangible assets	4		10,860		14,300
CURRENT ASSETS					
Stocks		27,081		48,650	
Debtors	5	29,301		68,873	
Cash at bank and in hand		<u>21,132</u>		<u>6,231</u>	
		77,514		123,754	
CREDITORS					
Amounts falling due within one year	6	<u>126,802</u>		<u>143,231</u>	
NET CURRENT LIABILITIES			<u>(49,288)</u>		<u>(19,477)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(38,428)		(5,177)
CREDITORS					
Amounts falling due after more than one year	7		(279,333)		(362,444)
ACCRUALS AND DEFERRED INCOME	9		<u>(4,216)</u>		<u>(5,621)</u>
NET LIABILITIES			<u>(321,977)</u>		<u>(373,242)</u>
RESERVES					
Profit and loss account	10		<u>(321,977)</u>		<u>(373,242)</u>
			<u>(321,977)</u>		<u>(373,242)</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 29 April 2011 and were signed on its behalf by:

.....
D H Miller - Director

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 December 2010

1. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The Directors have reviewed the working capital requirements of the company for the next 12 months and have secured facilities.

The Directors have also identified a number of steps that could be taken to improve the working capital situation and actions have already been implemented.

The financial statements do not reflect any adjustments that would be required if they were to be prepared on a basis other than the going concern basis.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Motor Vehicles and Equipment - at variable rates on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. **OPERATING PROFIT/(LOSS)**

The operating profit (2009 - operating loss) is stated after charging:

	2010	2009
	£	£
Depreciation - owned assets	3,441	4,544
Auditors' remuneration	<u>5,800</u>	<u>5,000</u>
Directors' remuneration and other benefits etc	-	62,909
Compensation to director for loss of office	<u>-</u>	<u>30,000</u>

3. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2010**

4.	TANGIBLE FIXED ASSETS			
		Computer and other equipment £	Motor vehicles £	Totals £
	COST			
	At 1 January 2010 and 31 December 2010	<u>5,277</u>	<u>29,442</u>	<u>34,719</u>
	DEPRECIATION			
	At 1 January 2010	2,590	17,828	20,418
	Charge for year	<u>537</u>	<u>2,904</u>	<u>3,441</u>
	At 31 December 2010	<u>3,127</u>	<u>20,732</u>	<u>23,859</u>
	NET BOOK VALUE			
	At 31 December 2010	<u>2,150</u>	<u>8,710</u>	<u>10,860</u>
	At 31 December 2009	<u>2,687</u>	<u>11,614</u>	<u>14,301</u>
5.	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2010 £	2009 £
	Trade debtors		17,470	48,615
	Other debtors		<u>11,831</u>	<u>20,258</u>
			<u>29,301</u>	<u>68,873</u>
6.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2010 £	2009 £
	Bank loans and overdrafts		30,000	30,000
	Trade creditors		8,926	27,249
	Taxation and social security		13,889	19,351
	Other creditors		<u>73,987</u>	<u>66,631</u>
			<u>126,802</u>	<u>143,231</u>
7.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2010 £	2009 £
	Bank loans		120,000	150,000
	Other creditors		<u>159,333</u>	<u>212,444</u>
			<u>279,333</u>	<u>362,444</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

8. **SECURED DEBTS**

The following secured debts are included within creditors:

	2010	2009
	£	£
Bank loans	<u>150,000</u>	<u>180,000</u>

The Royal Bank of Scotland hold a bond and floating charge over the assets of the company.

9. **ACCRUALS AND DEFERRED INCOME**

	2010	2009
	£	£
NDA Grant	<u>4,216</u>	<u>5,621</u>

10. **RESERVES**

	Profit and loss account £
At 1 January 2010	(373,242)
Profit for the year	<u>51,265</u>
At 31 December 2010	<u>(321,977)</u>

11. **TRANSACTIONS WITH DIRECTORS**

During 2009 amounts totalling £7,000 were paid to Euro PA Services Limited , a company controlled by Dr John Strak, former Managing Director of North Highland Products, for services provided and expenses incurred at normal commercial rates.

No such payments were made during 2010.

12. **RELATED PARTY DISCLOSURES**

Farmer directors in the normal course of business entered into transactions with the company which were at arms length and on the same terms as were available to other members of the company.

The value of these transactions in aggregate was:-

	2010	2009
Sales to the company	43,962	205,413
Mey Selections Premium (lambs)	162	-
Mey Selections Premium (cattle)	1,640	-
Purchases from the company	-	-

13. **GOING CONCERN**

The company has a deficiency of net assets amounting to £321,977 (2009 - £373,242) and is dependent upon the continued support of creditors so that it may carry on its normal activities and is therefore a going concern.