

Report of the Directors and
Financial Statements
for the Year Ended 31 December 2009
for
North Highland Products Limited

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

North Highland Products Limited

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for the Year Ended 31 December 2009**

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North Highland Products Limited
Company Information
for the Year Ended 31 December 2009

DIRECTORS: D H Miller
D Richard-Jones
R M Cracknell
D R Whiteford
A S Baker
Ms C Whitfield
S C Wood

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

North Highland Products Limited
Chairman's Report
for the Year Ended 31 December 2009

Dear Member,

After a difficult winter and a changeable summer I am hoping that we are owed a good Autumn - time will tell.

As indicated at the previous AGM, the 2009 accounts reflect another difficult year for the company, with a loss of £187k. However, the annual figures hide a significant improvement in the company's finances in the latter part of the year. To illustrate this, the Board has agreed to make available interim (and unaudited) management accounts for 2010 to our members to illustrate the positive impact of the policies, decisions and strategy, implemented in the last quarter of 2009. Cost savings and more reliable income streams have meant the company made a profit of over £30,000 for the first 6 months of 2010 despite very challenging trading conditions. In retrospect, 2009 was a year spent concentrating on creating stability, reviewing policies and achieving a return to profitability. These actions have also made the company considerably leaner with administrative costs in the first half of 2010, down by approximately £136k or 59%.

Livestock numbers traded in 2009 were similar to previous years with 6,700 cattle and over 30,000 lambs marketed by the company. Most importantly for me is that, throughout this period of restructuring for the company, farmers have continued to receive a substantial premium for their livestock sold through North Highland Products. In 2009 we calculate this to be a premium of over £163,000 in extra money for the region, taking the premium returned since the company started to well over £1 million.

2009 saw significant progress made in removing risk from our trading model and making our supply chain more efficient. This has been continued in 2010 alongside our focus on fresh produce. These changes have reduced our turnover to £6.6 million but importantly, reduced costs and ensured profitability while maintaining the premium to you, the producer.

Another significant change is the introduction of a new brand within Sainsbury stores for the beef and lamb you supply. This will now be sold under the "North Highland" logo that we have developed in partnership with Sainsbury's and our processor partners. Detailed research showed that the product quality was very high but the Mey Selections brands were not well understood by the customer in the supermarket environment, where buying decisions are very quick. The move to using the North Highland Beef and Lamb logo in Sainsbury's gives the company freedom to target Mey Selections to other areas which were previously closed due to Sainsbury's presence. This logo change itself will have no impact on producers, other than a forecasted increased demand in the region's quality livestock.

The newly appointed general manager Rob McKinnon has recently started the task of driving the business forward and this will free me from the day-to-day running of the company. The 4 newly appointed Directors last year have settled in well with the company benefiting from their extensive experience. I am delighted to announce that Stewart Wood, a well known farmer from Orkney has recently joined us as a director. Stewart brings with him experience of the meat trade with Orkney Meat and as a past vice president of the SNFU. David Richard-Jones has expressed his wish to retire after over 4 years as a Director and I would like to take the time to thank him, and all the Directors for their efforts on behalf of the company.

Danny Miller
Chairman North Highland Products Ltd

North Highland Products Limited
Report of the Directors
for the Year Ended 31 December 2009

The directors present their report with the financial statements of the company for the year ended 31 December 2009.

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 2009 to the date of this report.

D H Miller
D Richard-Jones

Other changes in directors holding office are as follows:

Dr J Strak - resigned 29 August 2009
Lord MacLennan of Rogart - appointed 3 June 2009 - resigned 5 October 2009
R Gray - resigned 21 May 2009
A Mackay - resigned 3 April 2009
D Swanson - resigned 16 December 2009
R Nicol - resigned 2 July 2009
R M Cracknell - appointed 2 September 2009
D R Whiteford - appointed 26 August 2009
A S Baker - appointed 23 September 2009
Ms C Whitfield - appointed 13 November 2009
S C Wood – appointed 6 August 2010

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.

North Highland Products Limited

Report of the Directors
for the Year Ended 31 December 2009

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 Richard-Jones

.....

Director

Date: 23 August 2010

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 2009 on pages six to ten. 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 2009 and of its loss 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: 23 August 2010

North Highland Products Limited

Profit and Loss Account
for the Year Ended 31 December 2009

	Notes	2009 £	2008 £
TURNOVER		6,681,687	10,241,719
Cost of sales		<u>6,455,192</u>	<u>9,974,674</u>
GROSS PROFIT		226,495	267,045
Administrative expenses		<u>460,501</u>	<u>506,366</u>
		(234,006)	(239,321)
Other operating income		<u>53,085</u>	<u>72,023</u>
OPERATING LOSS	2	(180,921)	(167,298)
Interest receivable and similar income		<u>169</u>	<u>2,852</u>
		(180,752)	(164,446)
Interest payable and similar charges		<u>6,538</u>	<u>420</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(187,290)	(164,866)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(187,290)</u>	<u>(164,866)</u>

The notes form part of these financial statements

North Highland Products Limited

Balance Sheet
31 December 2009

	Notes	2009	2008
		£	£
FIXED ASSETS			
Tangible assets	4	14,300	18,585
CURRENT ASSETS			
Stocks		48,650	49,012
Debtors	5	68,873	94,988
Cash at bank and in hand		<u>6,231</u>	<u>128,384</u>
		123,754	272,384
CREDITORS			
Amounts falling due within one year	6	<u>143,231</u>	<u>469,426</u>
NET CURRENT LIABILITIES		<u>(19,477)</u>	<u>(197,042)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,177)	(178,457)
CREDITORS			
Amounts falling due after more than one year	7	(362,444)	-
ACCRUALS AND DEFERRED INCOME	9	<u>(5,621)</u>	<u>(7,495)</u>
NET LIABILITIES		<u>(373,242)</u>	<u>(185,952)</u>
RESERVES			
Profit and loss account	10	<u>(373,242)</u>	<u>(185,952)</u>
		<u>(373,242)</u>	<u>(185,952)</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 23 August 2010 and were signed on its behalf by:

D Richard-Jones

.....
Director

The notes form part of these financial statements

North Highland Products Limited

Notes to the Financial Statements
for the Year Ended 31 December 2009

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 are confident that the facilities required have been obtained.

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 LOSS**

The operating loss is stated after charging:

	2009	2008
	£	£
Depreciation - owned assets	4,544	5,937
Auditors' remuneration	<u>5,000</u>	<u>5,000</u>
Directors' remuneration and other benefits	62,909	-
Compensation to director for loss of office	<u>30,000</u>	<u>-</u>

3. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2009 nor for the year ended 31 December 2008.

North Highland Products Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2009

4. **TANGIBLE FIXED ASSETS**

	Computer and other equipment £	Motor vehicles £	Totals £
COST			
At 1 January 2009	5,018	29,442	34,460
Additions	<u>259</u>	<u>-</u>	<u>259</u>
At 31 December 2009	<u>5,277</u>	<u>29,442</u>	<u>34,719</u>
DEPRECIATION			
At 1 January 2009	1,919	13,956	15,875
Charge for year	<u>672</u>	<u>3,872</u>	<u>4,544</u>
At 31 December 2009	<u>2,591</u>	<u>17,828</u>	<u>20,419</u>
NET BOOK VALUE			
At 31 December 2009	<u>2,686</u>	<u>11,614</u>	<u>14,300</u>
At 31 December 2008	<u>3,099</u>	<u>15,486</u>	<u>18,585</u>

5. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009 £	2008 £
Trade debtors	48,615	54,639
Other debtors	<u>20,258</u>	<u>40,349</u>
	<u>68,873</u>	<u>94,988</u>

6. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009 £	2008 £
Bank loans and overdrafts	30,000	-
Trade creditors	27,249	434,658
Taxation and social security	19,351	20,697
Other creditors	<u>66,631</u>	<u>14,071</u>
	<u>143,231</u>	<u>469,426</u>

7. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2009 £	2008 £
Bank loans	150,000	-
Other creditors	<u>212,444</u>	<u>-</u>
	<u>362,444</u>	<u>-</u>

North Highland Products Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2009

8. **SECURED DEBTS**

The following secured debts are included within creditors:

	2009	2008
	£	£
Bank loans	<u>180,000</u>	<u>-</u>

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

9. **ACCRUALS AND DEFERRED INCOME**

	2009	2008
	£	£
NDA Grant	<u>5,621</u>	<u>7,495</u>

10. **RESERVES**

	Profit and loss account £
At 1 January 2009	(185,952)
Deficit for the year	<u>(187,290)</u>
At 31 December 2009	<u>(373,242)</u>

11. **TRANSACTIONS WITH DIRECTORS**

During the year amounts totalling £7,000 (2008 £106,056) were paid to Euro PA Services Limited , a company controlled by Dr John Strak, Managing Director of North Highland Products, for services provided and expenses incurred at normal commercial rates.

Dr John Strak, Managing Director, was paid remuneration amounting to £62,909(2008 £Nil) and compensation for loss of office amounting to £30,000 (2008 £Nil)during the year.

12. **RELATED PARTY DISCLOSURES**

Non executive farmer directors in the normal course of business enter into transactions with the company which are at arms length and on the same terms as are available to other members of the company.

The value of these transactions in aggregate was:-

	2009	2008
Sales to the company	205,413	484,703
Purchases from the company	-	-

13. **GOING CONCERN**

The company has a deficiency of net assets amounting to £373,242 (2008 - £185,952) and is dependent upon the continued support of the bank, its creditors and its suppliers so that it may carry on its normal activities.