

Report of the Directors and
Audited Financial Statements
for the Period Ended 31 December 2005
for
North Highland Products Limited
(A Company Limited by Guarantee)

North Highland Products Limited

**Contents of the Financial Statements
for the Period Ended 31 December 2005**

	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 Period Ended 31 December 2005

DIRECTORS: D H Miller - Chairman
The Rt Hon Lord MacLennan of Rogart
A Mackay
D Swanson
D Richard-Jones

SECRETARY: R Gray

REGISTERED OFFICE: 5 Atholl Crescent
EDINBURGH
EH3 8EJ

REGISTERED NUMBER: SC 276482

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

North Highland Products Limited

Chairman's Report

Dear Member,

As I write this we have had a welcome dry spell, allowing many in the area to push ahead with sowing, but the least said about the weather in March and April the better. Currently cattle prices are £2.30/kilo for Mey Selections and the lamb price is at a high point of £3.18/kilo.

I am pleased to report that in the short trading window since the launch in August 2005, until December 31 2005, NHP Ltd has achieved a turnover in the accounting period of £1,268,216; far beyond what many thought was possible at the outset of the project. Despite the obvious costs involved in a business start-up, we have managed to generate a small profit of £8,608 to plough back into the Brand. Our turnover is directly linked to the volume of livestock traded since our launch at the Castle of Mey in August last year. We have consistently traded approximately 100 cattle a week and, at peak, around 375 lambs weekly. More importantly livestock traded through us in this initial accounting period has earned a premium for YOU, the producers, of around £60,000. This is extra money coming back into our farming community. It is especially pleasing as NHP Ltd was formed by farmers with the aim of returning more money to farmers and food producers in the North Highlands.

Cattle and lambs sold through Mey Selections have been processed by Dungannon Meat Group and Millers of Speyside. Retail customers include Sainsburys and Fortnum & Mason. Food service customers include Athams Food Service in the North West of England and Billfields in London. We have also managed to secure an order from Sainsburys for a new cheese, Highland Blue, produced using Caithness milk at the Highland Fine Cheeses creamery in Tain.

Looking forward, demand for Mey Selections is set to grow significantly in 2006, with our suppliers keen to source more livestock and food products under the Mey Selections brand. Sainsbury has indicated that it will increase the number of stores that will stock our beef and lamb to 98 stores (from the current 23). To meet the expected demand for beef and lamb Dungannon has invested significant sums in a new maturation/chilling, and boning and cutting facility at Dornoch and will slaughter in Orkney and Inverurie. These investments will reduce travel times for animals and underline our commitment to a local meat supply chain.

From the start it was recognised that the Mey Selections brand can also support other products from the North Highlands, not just beef and lamb. We hope to increase the range cheeses available for customers. And, very importantly, we are working towards adding several other products to our offer in 2006. These additions will further enhance the brand image, bring more money and jobs into the region, and help to spread our fixed costs. Significant investments in capital and personnel are being made by processors and food producers in order to provide the premium products that Mey Selections' customers require.

With just over a month in post, our new marketing manager for beef and lamb, George Cormack, is quickly finding his feet and I am pleased to announce that we have someone in post to cover administration - Calum Dickson. Both George and Calum live in Caithness and I am sure NHP Ltd, will benefit from their local knowledge of both the people and geography of the area. Our website www.mey-selections.com is still under construction but I would make a plea for all our members to be active users of this site as 2006 goes by as it keeps our costs down and improves communication at all levels.

It is clear that with the introduction of the Single Farm Payment and the many changes in support associated with CAP reform, that farmers need to re-evaluate their businesses. We hope as many farmers as possible in the Mey Selections region (100 miles radius from the Castle of Mey) will commit their livestock to us. I urge you to aim to get the premium we offer and to make plans to finish stores or sell them to finishers in the area in order to take advantage of the Mey Selections premium given for quality stock born, reared and finished in the region. This is your chance to access a premium market and to make a commercial return from the good farming practice in this region.

I would like to take this opportunity to thank all those concerned in the North Highland Initiative and, especially, HRH the Prince Charles Duke of Rothesay for the support and resources made available during the early stages of this project.

Lastly I would like to thank all the Directors of NHP Ltd for their hard work, but more importantly, YOU, the trading member for your support. Mey Selections is a strong brand but we require both your quality product and continued support in order to that Mey Selections will grow and develop.

Danny Miller
Chairman

18 May 2006

North Highland Products Limited
Report of the Directors
for the Period Ended 31 December 2005

The directors present their report with the financial statements of the company for the period ended 31 December 2005.

INCORPORATION

The company was incorporated on 25 November 2004.

PRINCIPAL ACTIVITY

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

DIRECTORS

The directors during the period under review were:

D H Miller (Chairman)	- appointed 4 July 2005
The Rt Hon Lord MacLennan of Rogart	- appointed 10 August 2005
A Mackay	- appointed 4 July 2005
D Swanson	- appointed 4 July 2005
D Richard-Jones	- appointed 16 December 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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.

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 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself 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 in accordance with Section 385 of the Companies Act 1985.

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:

.....
R Gray – Company Secretary

Date: 18 May 2006

**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 period ended 31 December 2005 on pages five to seven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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. 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 an auditors' report 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 described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our 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.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

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

Date: 19 May 2006

North Highland Products Limited
Profit and Loss Account
for the Period Ended 31 December 2005

	Notes	2005 £
TURNOVER		1,268,216
Cost of Sales		<u>1,238,393</u>
		29,823
Administrative expenses		<u>57,716</u>
		(27,893)
Other operating income		<u>36,226</u>
OPERATING PROFIT	2	8,333
Interest receivable and similar income		<u>400</u>
		8,733
Interest payable and similar charges		<u>125</u>
PROFIT FOR THE PERIOD		<u><u>8,608</u></u>

The notes form part of these financial statements

North Highland Products Limited

Balance Sheet
31 December 2005

	Notes	2005
		£
CURRENT ASSETS		
Debtors due within one year		93,202
Cash at bank and in hand		<u>63,158</u>
		156,360
CREDITORS		
Amounts falling due within one year	3	<u>147,752</u>
NET CURRENT ASSETS		<u>8,608</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,608</u>
RESERVES		
Profit and loss account	4	<u>8,608</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:

.....
D H Miller – Chairman and Director

Approved by the Board on 19 May 2006

The notes form part of these financial statements

North Highland Products Limited
Notes to the Financial Statements
for the Period Ended 31 December 2005

1. **ACCOUNTING POLICIES**

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 June 2002).

Turnover

Turnover comprises income from sales of products exclusive of Value Added Tax.

2. **OPERATING PROFIT**

The operating profit is stated after charging:

	2005
	£
Auditors' remuneration	<u>1,500</u>
Directors' emoluments and other benefits etc	<u>-</u>

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

	2005
	£
Bank Overdraft	139,420
Creditors and Accruals	<u>8,332</u>
	<u>147,752</u>

The bank overdraft is not secured.

4. **RESERVES**

	2005
	£
Profit for the period	<u>8,608</u>