

**Report of the Directors and**  
**Financial Statements**  
**for the Year Ended 31 December 2007**  
**for**  
**North Highland Products Limited**

[ A Company Limited by Guarantee and  
not having any Share Capital ]

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

**North Highland Products Limited**

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for the Year Ended 31 December 2007**

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**North Highland Products Limited**  
**Company Information**  
**for the Year Ended 31 December 2007**

**DIRECTORS:** D H Miller  
Dr J Strak  
Lord MacLennan of Rogart  
R Gray  
A Mackay  
D Richard-Jones  
D Swanson  
R Nicol

**SECRETARY:** R Gray

**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 2007**

Dear Member

It seems a long time since 2007 finished but everyone has been working hard at Mey Selections to grow the company both in terms of volume and in range. The key message from these accounts is that North Highland Products has succeeded in widening and deepening its scope with more people, more farmers, more products and improved systems in place by the end of 2007. We are putting in firm foundations for our Mey Selections brand.

Our total sales for the year were £8,630,249. The accounts show a small loss for the year of £24,746. This was in line with the Board's policy of investing in people, systems and brand building. The Balance Sheet deficit at 31 December 2007 was £21,086.

Investment is crucial if we are to fulfil our aim of becoming a leading food and drink brand on the national stage. In 2007 we calculate that we have earned gross premiums above market prices for our members that are worth £424,407 and this is a real achievement for the brand. Moreover, during 2007 the numbers of farmers selling their cattle and lambs under the Mey Selections brand exceeded 400.

Early in 2007 I was delighted that Harrold Bros in Wick had come forward to supply Mey Selections beef and lamb to the catering and food service in the North. Scrabster Seafoods Ltd has also invested in a local delivery service and is working with us to develop the seafood market nationally. Many of our fine food producers have also invested in equipment and people. The growth in the number and quality of hotels and restaurants these companies supply is testament to the quality of our members' beef and lamb, and seafood. Also in January the Radio 4 food programme visited Caithness to discover what we are doing in the far North with Mey Selections: the first of several journalists and media people eager to hear our story. Later in the year Mey Selections was a finalist in the BBC Food and Farming awards and we had outright success winning awards in the Grocer Own label Excellence awards (Mey Selections Meatballs) and the Highlands and Islands Food and Drink Awards (Excellence Award). Throughout 2007 we have been exploring connections with and new products from fine food producers in the region and we launched a range of ambient products in August. These were stocked and sold in several independent outlets in Wick, Thurso and Elgin, and sold through our on line shop. We also began work with Johnstons of Elgin on a range of tweed products that will be made using wool from the North Highlands.

As Chairman I get asked to do odd things, one of my strangest experiences of the year was having Christmas in July at Sainsbury's (for journalists), displaying the full range of our products for the Christmas market. Another odd day which was also a personal highlight, was when we launched the Barrogill Whisky in late April. This event also coincided with the start of Tracy Waters in her post as Business Development Manager (great timing). She was the first of three individuals we employed in 2007 as we built our team. The other two appointments were Michael Gunn handling livestock payments, and Alison Murray in procurement. In December 2007 we finally moved into offices in Wick. Looking back it is extraordinary that we ran a £9 million pound company out of someone's spare room! A lot of the praise for this goes to Calum Dickson our Office Manager (who now has an office to manage).

I suppose the big news for the company and farmer suppliers was the dramatic increase in livestock numbers required in the latter part of the year when Sainsbury's decided to have Mey Selections as a signature ingredient on 8 Taste the Difference ready meals and the Inspire to Cook range. This raised our profile and made us available to over 5 million people with the Mey Selections name in every Sainsbury's store.

I will take this opportunity to thank all our members for their continued support and also to the staff and Directors who do a mountain of unseen work to keep the company running smoothly. They have been very supportive and I cannot thank them enough. I would also remind all our members that building a brand is hard work and does take time. It also needs commitment from our farmers and suppliers and I am grateful for your loyalty and patience as the brand builds its profile and scope.

Danny Miller  
Chairman

**North Highland Products Limited**  
**Report of the Directors**  
**for the Year Ended 31 December 2007**

The directors present their report with the financial statements of the company for the year ended 31 December 2007.

**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 during the year under review were:

D H Miller - Chairman

Dr J Strak - Managing Director

Lord MacLennan of Rogart

R Gray

A Mackay

D Richard-Jones

D Swanson

R Nicol (Appointed 28 April 2007)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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). The financial statements are required by law to 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 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

.....  
Director

Date: 18 July 2008

**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 2007 on pages five to nine. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

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

Date: 18 July 2008

**North Highland Products Limited**

**Profit and Loss Account**  
**for the Year Ended 31 December 2007**

	Notes	2007 £	2006 £
<b>TURNOVER</b>		8,630,249	4,609,014
Cost of sales		<u>8,071,274</u>	<u>4,314,277</u>
<b>GROSS PROFIT</b>		558,975	294,737
Premiums returned to suppliers		300,317	176,427
Brand support and administrative expenses		<u>387,341</u>	<u>230,424</u>
		(128,683)	(112,114)
Other operating income		<u>95,729</u>	<u>102,392</u>
<b>OPERATING LOSS</b>	2	(32,954)	(9,722)
Interest receivable and similar income		<u>8,843</u>	<u>5,174</u>
		(24,111)	(4,548)
Interest payable and similar charges		<u>635</u>	<u>400</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(24,746)	(4,948)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>(24,746)</u>	<u>(4,948)</u>

The notes form part of these financial statements

**North Highland Products Limited**

**Balance Sheet**  
**31 December 2007**

	Notes	2007 £	£	2006 £	£
<b>FIXED ASSETS</b>					
Tangible assets	4		18,538		12,424
<b>CURRENT ASSETS</b>					
Stocks		32,085		-	
Debtors	5	145,919		206,186	
Cash at bank		<u>305,116</u>		<u>216,727</u>	
		483,120		422,913	
<b>CREDITORS</b>					
Amounts falling due within one year	6	<u>512,751</u>		<u>418,348</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(29,631)</u>		<u>4,565</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(11,093)		16,989
<b>ACCRUALS AND DEFERRED INCOME</b>	7		<u>9,993</u>		<u>13,329</u>
<b>NET (LIABILITIES)/ASSETS</b>			<u>(21,086)</u>		<u>3,660</u>
<b>RESERVES</b>					
Profit and loss account	8		<u>(21,086)</u>		<u>3,660</u>
			<u>(21,086)</u>		<u>3,660</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 January 2007).

The financial statements were approved by the Board of Directors on 18 July 2008 and were signed on its behalf by:

R Gray

.....  
Director

**North Highland Products Limited**

**Notes to the Financial Statements**  
**for the Year Ended 31 December 2007**

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 January 2007).

**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:

	2007	2006
	£	£
Depreciation - owned assets	5,879	4,059
Auditors' remuneration	<u>5,600</u>	<u>3,000</u>
Directors' emoluments and other benefits etc	<u>15,960</u>	<u>6,000</u>

3. **TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2007 nor for the year ended 31 December 2006.

**North Highland Products Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2007**

4.	<b>TANGIBLE FIXED ASSETS</b>			
		Computer and other equipment £	Motor vehicles £	Totals £
	<b>COST</b>			
	At 1 January 2007	1,236	15,247	16,483
	Additions	<u>3,498</u>	<u>8,495</u>	<u>11,993</u>
	At 31 December 2007	<u>4,734</u>	<u>23,742</u>	<u>28,476</u>
	<b>DEPRECIATION</b>			
	At 1 January 2007	247	3,812	4,059
	Charge for year	<u>897</u>	<u>4,982</u>	<u>5,879</u>
	At 31 December 2007	<u>1,144</u>	<u>8,794</u>	<u>9,938</u>
	<b>NET BOOK VALUE</b>			
	At 31 December 2007	<u>3,590</u>	<u>14,948</u>	<u>18,538</u>
	At 31 December 2006	<u>989</u>	<u>11,435</u>	<u>12,424</u>
5.	<b>DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		2007 £	2006 £
	Trade debtors		52,887	148,489
	Other debtors		<u>93,032</u>	<u>57,697</u>
			<u>145,919</u>	<u>206,186</u>
6.	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		2007 £	2006 £
	Bank loans and overdrafts		-	253,586
	Trade creditors		449,281	131,265
	Taxation and social security		15,956	10,118
	Other creditors		<u>47,514</u>	<u>23,379</u>
			<u>512,751</u>	<u>418,348</u>
7.	<b>ACCRUALS AND DEFERRED INCOME</b>		2007 £	2006 £
	NDA Grant		<u>9,993</u>	<u>13,329</u>
8.	<b>RESERVES</b>			Profit and loss account £
	At 1 January 2007			3,660
	Deficit for the year			<u>(24,746)</u>
	At 31 December 2007			<u>(21,086)</u>

**North Highland Products Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2007**

9. **TRANSACTIONS WITH DIRECTORS**

During the year amounts totalling £91,635 (2006 £72,888) 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.

Danny Miller, Chairman, was paid a Directors fee totalling £15,960 for the financial years 2006 and 2007.

David Richard-Jones, a non executive director, was paid a Directors fee amounting to £6,000 during the previous year.

10. **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:-

	2007	2006
Sales to the company	£489,844	467,379
Purchases from the company	-	-

11. **GOING CONCERN**

The company has a deficiency of net assets amounting to £21,086 and is dependent upon the continued support of the bank and its suppliers so that it may carry on its normal activities.

