

Report of the Directors and
Financial Statements
for the Year Ended 31 December 2008
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

Contents of the Financial Statements
for the Year Ended 31 December 2008

	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 2008

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 2008

Dear Member,

A.G.M and accounts time again! These accounts for 2008 have been a while coming to you but rest assured the efforts of the Mey Selections team have been firmly focused on building a stronger and more sustainable company.

In helping me prepare for writing this I have scanned through my "press" file for 2008. I was reminded that during 2008 Mey Selections won 2 Scotland Food and Drink Excellence Awards, 5 Great Taste Awards, SuperMeat and Fish award for Best New Product, voted the "Best Retail Initiative" by Radio 4 in the Food and Farming Awards and appeared on BBC's Landward. This was on top of appearing in the Times, Telegraph, Guardian and Scotsman to name but a few national publications.

Mey Selections beef and lamb was made a signature ingredient on Sainsbury's "Taste the Difference" ready meals and "Inspire to Cook" range meaning Mey Selections products were available in every Sainsbury's and reaching a national audience.

However, as with many young businesses in steep growth, success brought along with it a few financial challenges. On the positive side, our turnover grew to £10.2 million in 2008, up from £8.6 million in 2007. In addition, and very importantly, Mey Selections increased the premium returned to farmers and crofters from £300k to £360k during the year. However, on the negative side, North Highland Products posted a yearly loss of £164k for the year, in part due to the maintenance of farmers premiums in challenging trading conditions, and this despite having traded over 7, 000 of your cattle and 43,000 of your lambs in 2008.

The Board of North Highland Products has responded to the stated financial position on several fronts - the move to processing of cattle to ABP has ended the need to support farmer's returns and given us a model which delivers to the supplier, a premium above market average and secures a return for the company. Significant overheads and staff savings have been made and the one off promotional costs seen in 2008 will not be repeated. A new business model is being fine tuned but the changes above have already brought about a return to profitable weekly trading for North Highland Products Ltd and will ensure successful and sustainable company for the future.

We are pleased that Sainsbury's remain fully committed to sourcing livestock from our region and Highlands and Island Enterprise continue to be fully supportive of the company's direction and strategy.

The Board of North Highland Products has also gone through some changes with the appointment of 4 new Directors, David Whiteford, Andrew Baker, Caroline Whitfield and Richard Cracknell all of whom I am confident, give the company a broad and relevant knowledge base. Donald Swanson (Clatequoy) will be retiring as a Director of North Highland Products Ltd at the AGM and with his retirement I am keen that the company keeps its feet "on the ground". Donald's replacement ideally would be someone from the area involved in farming/agriculture, as the reason the company was formed was to help primary producers. It is important that you, the supplier has representation on the Board. With that in mind I would like to encourage you to nominate someone who you believe would be a suitable candidate. Nominations in writing to 34A High Street, Wick at least 7 days before the AGM. (see enclosed agenda)



Danny Miller
Chairman North Highland Products Ltd

North Highland Products Limited
Report of the Directors
for the Year Ended 31 December 2008

The directors present their report with the financial statements of the company for the year ended 31 December 2008.

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

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 at the forthcoming Annual General Meeting. 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:

.....
Director

Date: 29 October 2009

**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 2008 on pages four to eight. These financial statements have been prepared under 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 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

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 2008 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: 29 October 2009

North Highland Products Limited
Profit and Loss Account
for the Year Ended 31 December 2008

	Notes	2008 £	2007 £
TURNOVER		10,241,719	8,630,249
Cost of sales		<u>9,614,876</u>	<u>8,071,274</u>
GROSS PROFIT		626,843	558,975
Premiums returned to suppliers	359,798		300,317
Brand support and administration	<u>506,366</u>	<u>866,164</u>	<u>387,341</u>
		(239,321)	(128,683)
Other operating income		<u>72,023</u>	<u>95,729</u>
OPERATING LOSS	2	(167,298)	(32,954)
Interest receivable and similar income		<u>2,852</u>	<u>8,843</u>
		(164,446)	(24,111)
Interest payable and similar charges		<u>420</u>	<u>635</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(164,866)	(24,746)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u><u>(164,866)</u></u>	<u><u>(24,746)</u></u>

The notes form part of these financial statements

North Highland Products Limited

Balance Sheet
31 December 2008

	Notes	2008		2007	
		£	£	£	£
FIXED ASSETS					
Tangible assets	4		18,585		18,538
CURRENT ASSETS					
Stocks		49,012		32,085	
Debtors	5	94,988		145,919	
Cash at bank		<u>128,384</u>		<u>305,116</u>	
		272,384		483,120	
CREDITORS					
Amounts falling due within one year	6	<u>469,426</u>		<u>512,751</u>	
NET CURRENT LIABILITIES			<u>(197,042)</u>		<u>(29,631)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(178,457)		(11,093)
ACCRUALS AND DEFERRED INCOME	7		<u>7,495</u>		<u>9,993</u>
NET LIABILITIES			<u>(185,952)</u>		<u>(21,086)</u>
RESERVES					
Profit and loss account	8		<u>(185,952)</u>		<u>(21,086)</u>
			<u>(185,952)</u>		<u>(21,086)</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 29 October 2009 and were signed on its behalf by:

.....
Director

North Highland Products Limited

Notes to the Financial Statements
for the Year Ended 31 December 2008

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:

	2008	2007
	£	£
Depreciation - owned assets	5,937	5,879
Auditors' remuneration	<u>5,000</u>	<u>5,600</u>
Directors' emoluments and other benefits etc	<u>-</u>	<u>15,960</u>

3. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2008 nor for the year ended 31 December 2007.

North Highland Products Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2008

4. **TANGIBLE FIXED ASSETS**

	Computer and other equipment £	Motor vehicles £	Totals £
COST			
At 1 January 2008	4,734	23,742	28,476
Additions	<u>284</u>	<u>5,700</u>	<u>5,984</u>
At 31 December 2008	<u>5,018</u>	<u>29,442</u>	<u>34,460</u>
DEPRECIATION			
At 1 January 2008	1,144	8,794	9,938
Charge for year	<u>775</u>	<u>5,162</u>	<u>5,937</u>
At 31 December 2008	<u>1,919</u>	<u>13,956</u>	<u>15,875</u>
NET BOOK VALUE			
At 31 December 2008	<u>3,099</u>	<u>15,486</u>	<u>18,585</u>
At 31 December 2007	<u>3,590</u>	<u>14,948</u>	<u>18,538</u>

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

	2008 £	2007 £
Trade debtors	54,639	52,887
Other debtors	<u>40,349</u>	<u>93,032</u>
	<u>94,988</u>	<u>145,919</u>

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

	2008 £	2007 £
Trade creditors	434,658	449,281
Taxation and social security	20,697	15,956
Other creditors	<u>14,071</u>	<u>47,514</u>
	<u>469,426</u>	<u>512,751</u>

7. **ACCRUALS AND DEFERRED INCOME**

	2008 £	2007 £
NDA Grant	<u>7,495</u>	<u>9,993</u>

North Highland Products Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2008

8. **RESERVES**

	Profit and loss account £
At 1 January 2008	(21,086)
Deficit for the year	<u>(164,866)</u>
At 31 December 2008	<u><u>(185,952)</u></u>

9. **TRANSACTIONS WITH DIRECTORS**

During the year amounts totalling £106,056 (2007 £91,635) 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 amounting to £nil (2007 £15,960) during the 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:-

	2008	2007
Sales to the company	484,703	489,844
Purchases from the company	357	-

11. **GOING CONCERN**

The company has a deficiency of net assets amounting to £185,952 (2007 - £21,086) and is dependent upon the continued support of the bank and its suppliers so that it may carry on its normal activities.