

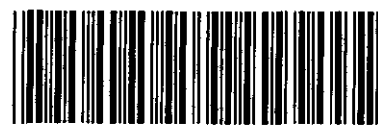
Registration number SC150590

Scottish Quality Farm Assured Cereals Limited
(Company limited by guarantee and not having Share Capital)

Directors' report and financial statements

For the year ended 30 September 2006

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Scottish Quality Farm Assured Cereals Limited

Company information

Directors	Douglas Morrison David Cranstoun David McCreath David Pate Allan Smith John Hutcheson Alistair Dunn Ian Keith David Rae John Picken
Secretary	Ian Hain
Company number	SC150590
Registered office	Royal Highland Centre 10th Avenue Ingliston Edinburgh EH28 8NF
Auditors	Alexander Sloan Chartered Accountants 1 Atholl Place Edinburgh EH3 8HP
Bankers	Royal Bank of Scotland 2 Blenheim Place Edinburgh EH7 5JH

Scottish Quality Farm Assured Cereals Limited

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Scottish Quality Farm Assured Cereals Limited

Directors' report for the year ended 30 September 2006

The directors present their report and the financial statements for the year ended 30 September 2006

Principal activity

The principal activity of the company is to obtain a more assured market share for Scottish quality cereals through the management of an effective and efficient quality assurance scheme, as well as promoting to both trade and consumer the cereal products of the scheme

Directors

The directors who served during the year are as stated below

Douglas Morrison	Chairman	John Hutcheson	
David Houghton	Resigned 16/1/06	Alistair Dunn	
David Cranstoun		Ian Keith	
David McCreath		David Rae	
David Pate		John Picken	Appointed 3/3/06
Allan Smith			

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice

In so far as the directors are aware

there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and

Scottish Quality Farm Assured Cereals Limited

**Directors' report
for the year ended 30 September 2006**

continued

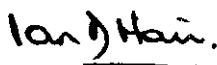
the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Alexander Sloan, Chartered Accountants, be reappointed as auditors of the company will be put to the Annual General Meeting

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

This report was approved by the Board on 22 January 2007 and signed on its behalf by



Ian Hain
Secretary

Scottish Quality Farm Assured Cereals Limited

Independent auditors' report to the members of Scottish Quality Farm Assured Cereals Limited

We have audited the financial statements of Scottish Quality Farm Assured Cereals Limited for the year ended 30 September 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), 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 in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the directors' report 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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We read the directors' report 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.

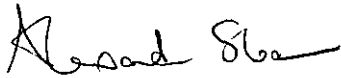
We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Scottish Quality Farm Assured Cereals Limited

Independent auditors' report to the members of Scottish Quality Farm Assured Cereals

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 30 September 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985



Alexander Sloan
Chartered Accountants and
Registered auditors
22 January 2007

1 Atholl Place
Edinburgh
EH3 8HP

Scottish Quality Farm Assured Cereals Limited

**Profit and loss account
for the year ended 30 September 2006**

		2006	2005
	Notes	£	£
Turnover	2	466,773	470,988
Administrative expenses		(477,643)	(479,861)
Operating loss	3	(10,870)	(8,873)
Other interest receivable and similar income		10,493	11,175
(Loss)/profit on ordinary activities before taxation		(377)	2,302
Tax on (loss)/profit on ordinary activities		—	—
(Loss)/profit on ordinary activities after taxation		(377)	2,302
(Loss)/retained profit for the year		(377)	2,302
Retained profit brought forward		153,881	151,579
Retained profit carried forward		<u>153,504</u>	<u>153,881</u>

The notes on pages 7 to 8 form an integral part of these financial statements

Scottish Quality Farm Assured Cereals Limited

Balance sheet as at 30 September 2006

	Notes	2006		2005	
		£	£	£	£
Current assets					
Debtors	5	16,989		19,974	
Cash at bank and in hand		173,172		173,595	
		<u>190,161</u>		<u>193,569</u>	
Creditors: amounts falling due within one year	6	<u>(36,657)</u>		<u>(39,688)</u>	
Net current assets			<u>153,504</u>		<u>153,881</u>
Net assets			<u>153,504</u>		<u>153,881</u>
Reserves					
Profit and loss account			<u>153,504</u>		<u>153,881</u>
Members' funds			<u>153,504</u>		<u>153,881</u>

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2005) relating to small companies

The financial statements were approved by the Board on 22 January 2007 and signed on its behalf by



Douglas Morrison
Director

The notes on pages 7 to 8 form an integral part of these financial statements.

Scottish Quality Farm Assured Cereals Limited

Notes to the financial statements for the year ended 30 September 2006

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year and derives from the provision of goods falling within the company's ordinary activities

3. Operating loss	2006	2005
	£	£
Operating loss is stated after charging		
Auditors' remuneration	<u>2,300</u>	<u>2,100</u>

4. Directors' emoluments

	2006	2005
Remuneration and other benefits	4,219	2,775
Honorarium to board chairman	5,500	5,000
Honorarium to TAC chairman	3,000	2,000
	<u>12,719</u>	<u>9,775</u>

5. Debtors	2006	2005
	£	£
Trade debtors		746
Other debtors	16,922	18,998
Prepayments and accrued income	67	230
	<u>16,989</u>	<u>19,974</u>

Scottish Quality Farm Assured Cereals Limited

Notes to the financial statements for the year ended 30 September 2006

continued

6.	Creditors: amounts falling due within one year	2006 £	2005 £
	Other creditors	33,899	25,000
	Accruals and deferred income	2,758	14,688
		<u>36,657</u>	<u>39,688</u>

7. Related party transactions

Five of the Directors (2005 5) are also members of Scottish Quality Farm Assured Cereals Ltd Their memberships are on normal terms and conditions