

Registration number 3789756

**PROPER CORNISH LIMITED**  
**ABBREVIATED ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**



**PROPER CORNISH LIMITED**

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# PROPER CORNISH LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and the accounts for the year ended 31 December 2006

### Principal activity and review of the business

The principal activities of the company are the production and sale of pasties, pies and other pastry products

The company's Balance Sheet on page 7 shows a satisfactory position, with shareholder's funds amounting to £558,994 (2005 £903,393) This included a £555,950 reduction which was the result of a purchase of own shares There have been no events since the year end or significant future developments that need to be brought to the attention of the shareholders other than those stated in note and within the Directors and their interests section below

The key financial highlights compared with the previous period which was over 15 months are Gross profit £3,704,166 (2005 - £4,320,359) and Operating profit of £365,201 (2005 - £472,440)

### Results and dividends

The results for the year are set out on page 4

The directors do not recommend payment of a final dividend

### Directors and their interests

The directors who served during the year and their interests in the company are as stated below

|               |                          | Class of share  | 31/12/06 | 01/01/06<br>or date of<br>appointment |
|---------------|--------------------------|-----------------|----------|---------------------------------------|
| P R Ugalde    |                          | Ordinary shares | 90       | 100                                   |
| D W Pauling   | Resigned 31 January 2006 | Ordinary shares | -        | 50                                    |
| C I Pauling   |                          | Ordinary shares | 38       | 50                                    |
| G S Allen     |                          | Ordinary shares | -        | -                                     |
| J A Flowerdew |                          | Ordinary shares | 22       | -                                     |
| K L Taylor    | Appointed 30 August 2006 | Ordinary shares | -        | -                                     |

On 31 January 2006 the company purchased the entire shareholding of D W Pauling for £556,000 On the same date he resigned as a director of the company As part of this reorganisation P R Ugalde transferred 10 shares to J A Flowerdew, and C I Pauling transferred 12 shares to J A Flowerdew

No rights to subscribe for shares were exercised or granted during the year

### Charitable and Political Contributions

During the year the company contributed £3,115 to charities

### Directors' responsibilities

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

**PROPER CORNISH LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

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,
- 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 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.

-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 Winter Rule 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 medium-sized companies.

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



**Y H Hollyoak  
Secretary**

**Date:** 22/6/07

**INDEPENDENT AUDITORS' REPORT TO PROPER CORNISH LIMITED  
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts set out on pages 4 to 20 together with the financial statements of Proper Cornish Limited for the year ended 31 December 2006 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company 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 as a body, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

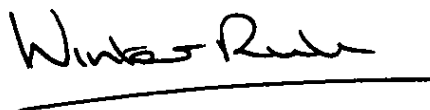
The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

**Basis of opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

**Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 31 December 2006, and the abbreviated accounts on pages 4 to 20 are properly prepared in accordance with that provision.



**Winter Rule  
Chartered Accountants and  
Registered Auditors**

09/07/2007

**Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA**

PROPER CORNISH LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006

|                                                                  |          | Continuing operations |                       |
|------------------------------------------------------------------|----------|-----------------------|-----------------------|
|                                                                  |          | 2006                  | 2005                  |
|                                                                  | Notes    | £                     | as restated<br>£      |
| <b>Gross profit</b>                                              |          | 3,704,166             | 4,338,110             |
| Distribution costs                                               |          | (901,581)             | (994,410)             |
| Administrative expenses                                          |          | (2,437,384)           | (2,871,260)           |
| <b>Operating profit</b>                                          | <b>2</b> | <u>365,201</u>        | <u>472,440</u>        |
| Other interest receivable and<br>similar income                  | <b>3</b> | 1,604                 | 2,568                 |
| Interest payable and similar charges                             | <b>4</b> | <u>(106,072)</u>      | <u>(93,173)</u>       |
| <b>Profit on ordinary<br/>activities before taxation</b>         |          | 260,733               | 381,835               |
| Tax on profit on ordinary activities                             | <b>7</b> | <u>(49,132)</u>       | <u>(77,067)</u>       |
| <b>Retained profit on ordinary<br/>activities after taxation</b> |          | 211,601               | 304,768               |
| Retained profit brought forward                                  |          | 903,193               | 598,425               |
| Reserve movements                                                |          | <u>(556,000)</u>      | <u>-</u>              |
| <b>Retained profit carried forward</b>                           |          | <u><u>558,794</u></u> | <u><u>903,193</u></u> |

There are no recognised gains or losses other than the profit or loss for the above two financial years

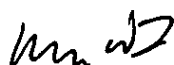
**PROPER CORNISH LIMITED**  
**ABBREVIATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

|                                                                |       | 2006               |                  | 2005               |                 |
|----------------------------------------------------------------|-------|--------------------|------------------|--------------------|-----------------|
|                                                                | Notes | £                  | £                | £                  | £               |
| <b>Fixed assets</b>                                            |       |                    |                  |                    |                 |
| Tangible assets                                                | 8     |                    | 1,215,747        |                    | 901,839         |
| Investments                                                    | 9     |                    | 1                |                    | -               |
|                                                                |       |                    | <u>1,215,748</u> |                    | <u>901,839</u>  |
| <b>Current assets</b>                                          |       |                    |                  |                    |                 |
| Stocks                                                         | 10    | 269,252            |                  | 289,414            |                 |
| Debtors                                                        | 11    | 1,998,442          |                  | 1,212,371          |                 |
| Cash at bank and in hand                                       |       | 361                |                  | 799                |                 |
|                                                                |       | <u>2,268,055</u>   |                  | <u>1,502,584</u>   |                 |
| <b>Creditors: amounts falling due within one year</b>          | 12    | <u>(2,557,122)</u> |                  | <u>(1,399,488)</u> |                 |
| <b>Net current (liabilities)/assets</b>                        |       |                    | <u>(289,067)</u> |                    | <u>103,096</u>  |
| <b>Total assets less current liabilities</b>                   |       |                    | 926,681          |                    | 1,004,935       |
| <b>Creditors: amounts falling due after more than one year</b> | 13    |                    | (331,707)        |                    | (86,167)        |
| <b>Provisions for liabilities</b>                              | 14    |                    | <u>(35,980)</u>  |                    | <u>(15,375)</u> |
| <b>Net assets</b>                                              |       |                    | <u>558,994</u>   |                    | <u>903,393</u>  |
| <b>Capital and reserves</b>                                    |       |                    |                  |                    |                 |
| Called up share capital                                        | 16    |                    | 150              |                    | 200             |
| Other reserves                                                 | 17    |                    | 50               |                    | -               |
| Profit and loss account                                        | 17    |                    | 558,794          |                    | 903,193         |
| <b>Shareholders' funds</b>                                     | 18    |                    | <u>558,994</u>   |                    | <u>903,393</u>  |

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies

The abbreviated accounts were approved by the Board and signed on its behalf by

P R Ugalde  
Director



Date: 6/1/07

**PROPER CORNISH LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

|                                                                                        | Notes | 2006<br>£          | 2005<br>£        |
|----------------------------------------------------------------------------------------|-------|--------------------|------------------|
| <b>Reconciliation of operating profit to net cash inflow from operating activities</b> |       |                    |                  |
| Operating profit                                                                       |       | 365,201            | 472,440          |
| Depreciation                                                                           |       | 193,930            | 227,543          |
| Decrease in stocks                                                                     |       | 20,162             | (70,872)         |
| (Increase) in debtors                                                                  |       | (786,071)          | (103,506)        |
| Increase in creditors                                                                  |       | 6,346              | 126,439          |
| <b>Net cash outflow from operating activities</b>                                      |       | <u>(200,432)</u>   | <u>652,044</u>   |
| <b>Cash flow statement</b>                                                             |       |                    |                  |
| Net cash outflow from operating activities                                             |       | (200,432)          | 652,044          |
| Returns on investments and servicing of finance                                        | 23    | (104,468)          | (90,605)         |
| Taxation                                                                               | 23    | (73,492)           | (58,298)         |
| Capital expenditure                                                                    | 23    | (190,424)          | (115,056)        |
| Acquisitions and disposals                                                             | 23    | (1)                | -                |
|                                                                                        |       | <u>(568,817)</u>   | <u>388,085</u>   |
| Financing                                                                              | 23    | 240,364            | (263,079)        |
| <b>Decrease in cash in the year</b>                                                    |       | <u>(328,453)</u>   | <u>125,006</u>   |
| <b>Reconciliation of net cash flow to movement in net debt (Note 24)</b>               |       |                    |                  |
| <b>Decrease in cash in the year</b>                                                    |       | (328,453)          | 125,006          |
| Cash outflow from increase in debts and lease financing                                |       | (1,231,628)        | 244,075          |
| Change in net debt resulting from cash flows                                           |       | (1,560,081)        | 369,081          |
| New finance leases and hire purchase contracts                                         |       | 117,851            | (121,604)        |
| <b>Movement in net debt in the year</b>                                                |       | (1,442,230)        | 247,477          |
| <b>Net debt at 1 January 2006</b>                                                      |       | (555,019)          | (802,496)        |
| <b>Net debt at 31 December 2006</b>                                                    |       | <u>(1,997,249)</u> | <u>(555,019)</u> |



# **PROPER CORNISH LIMITED**

## **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

### **1. Accounting policies**

#### **1.1. Accounting convention**

The accounts are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board

#### **1.2. Turnover**

Turnover represents the total invoice value, excluding value added tax and trade discounts, of sales made during the year

#### **1.3. Tangible fixed assets and depreciation**

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows

|                                  |   |                                                                        |
|----------------------------------|---|------------------------------------------------------------------------|
| Leasehold properties             | - | Straight line over the life of the lease                               |
| Plant and machinery              | - | 15% per annum, reducing balance or 10 years straight line              |
| Fixtures, fittings and equipment | - | 33% or 20% per annum, reducing balance or 20% per annum, straight line |
| Motor vehicles                   | - | 25% per annum, reducing balance                                        |

#### **1.4. Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. However, where agreements are entered into and the assets useful economic life greatly exceeds the lease term the asset is depreciated over its useful economic life. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

#### **1.5. Investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value

#### **1.6. Stock**

Stock is valued at the lower of cost and net realisable value

#### **1.7. Pensions**

The pension costs charged in the financial statements represent the contribution payable by the company during the year

**PROPER CORNISH LIMITED**

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**1.8. Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

**1.9. Group accounts**

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts

**2. Operating profit**

|                                                            | <b>2006</b> | <b>2005</b> |
|------------------------------------------------------------|-------------|-------------|
|                                                            | <b>£</b>    | <b>£</b>    |
| Operating profit is stated after charging                  |             |             |
| Depreciation and other amounts written off tangible assets | 199,430     | 220,274     |
| Operating lease rentals                                    |             |             |
| - Plant and machinery                                      | 99,314      | 131,711     |
| - Land and buildings                                       | 232,315     | 207,293     |
| - Motor vehicles                                           | 10,740      | 15,154      |
| Auditors' remuneration                                     | 3,150       | 3,150       |
| and after crediting                                        |             |             |
| Profit on disposal of tangible fixed assets                | 5,500       | (7,269)     |
| Government grants                                          | -           | 17,751      |

**3. Interest receivable and similar income**

|                | <b>2006</b>  | <b>2005</b>  |
|----------------|--------------|--------------|
|                | <b>£</b>     | <b>£</b>     |
| Bank interest  | 1,591        | 2,554        |
| Other interest | 13           | 14           |
|                | <u>1,604</u> | <u>2,568</u> |

**4. Interest payable and similar charges**

|                                                  | <b>2006</b>    | <b>2005</b>   |
|--------------------------------------------------|----------------|---------------|
|                                                  | <b>£</b>       | <b>£</b>      |
| Interest payable on loans < 1 yr                 | 12,553         | 5,221         |
| On loans repayable between one and two years     | 17,704         | 3,149         |
| Lease finance charges and hire purchase interest | 23,511         | 37,810        |
| Factoring interest                               | 52,304         | 46,876        |
| On overdue tax                                   | -              | 117           |
|                                                  | <u>106,072</u> | <u>93,173</u> |

**PROPER CORNISH LIMITED**

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**5. Employees**

| <b>Number of employees</b>                                                                 | <b>2006</b> | <b>2005<br/>as restated</b> |
|--------------------------------------------------------------------------------------------|-------------|-----------------------------|
| The average monthly numbers of employees<br>(including the directors) during the year were |             |                             |
| Production staff                                                                           | 113         | 112                         |
| Administration staff                                                                       | 40          | 40                          |
| Other                                                                                      | 14          | 16                          |
|                                                                                            | <u>167</u>  | <u>168</u>                  |

| <b>Employment costs</b>              | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
|--------------------------------------|-------------------|-------------------|
| Wages and salaries                   | 2,567,269         | 3,091,013         |
| Social security costs                | 202,415           | 265,431           |
| Pension costs-other operating charge | 4,012             | 5,015             |
|                                      | <u>2,773,696</u>  | <u>3,361,459</u>  |

**5.1. Directors' emoluments**

|                                   | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
|-----------------------------------|-------------------|-------------------|
| Remuneration and other emoluments | 380,314           | 499,106           |
| Pension contributions             | 4,012             | 5,015             |
|                                   | <u>384,326</u>    | <u>504,121</u>    |

|                                                                                               | <b>Number</b> | <b>Number</b> |
|-----------------------------------------------------------------------------------------------|---------------|---------------|
| Number of directors to whom retirement benefits<br>are accruing under a money purchase scheme | <u>1</u>      | <u>1</u>      |

| <b>Highest paid director</b>  | <b>£</b>       | <b>£</b>       |
|-------------------------------|----------------|----------------|
| Amounts included above        |                |                |
| Emoluments and other benefits | <u>103,944</u> | <u>105,138</u> |

**6. Pension costs**

The company operates a defined contribution pension scheme in respect of the directors. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £4,012 (2005 - £5,015).

**PROPER CORNISH LIMITED**

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**7. Tax on profit on ordinary activities**

| <b>Analysis of charge in period</b>          | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
|----------------------------------------------|-------------------|-------------------|
| <b>Current tax</b>                           |                   |                   |
| UK corporation tax                           | 26,720            | 71,709            |
| Adjustments in respect of previous periods   | 1,808             | -                 |
|                                              | <u>28,528</u>     | <u>71,709</u>     |
| Total current tax charge                     | <u>28,528</u>     | <u>71,709</u>     |
| <b>Deferred tax</b>                          |                   |                   |
| Timing differences, origination and reversal | 21,214            | 5,358             |
| Prior period adjustments                     | (610)             | -                 |
| Total deferred tax                           | <u>20,604</u>     | <u>5,358</u>      |
| Tax on profit on ordinary activities         | <u>49,132</u>     | <u>77,067</u>     |

**Factors affecting tax charge for period**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19 per cent) The differences are explained below

|                                                                                                                      | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
|----------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Profit on ordinary activities before taxation                                                                        | <u>260,733</u>    | <u>381,835</u>    |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 December 2005 19%) | 49,540            | 72,549            |
| <b>Effects of:</b>                                                                                                   |                   |                   |
| Expenses not deductible for tax purposes                                                                             | 1,726             | 4,060             |
| Capital allowances for period in excess of depreciation                                                              | (24,546)          | (5,358)           |
| Adjustments to tax charge in respect of previous periods                                                             | 1,808             | -                 |
| Profits within the marginal rate band                                                                                | -                 | 458               |
| Current tax charge for period                                                                                        | <u>28,528</u>     | <u>71,709</u>     |

**PROPER CORNISH LIMITED**

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

| 8. Tangible fixed assets | Short<br>leasehold<br>property<br>£ | Plant and<br>machinery<br>£ | Fixtures,<br>fittings<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£ |
|--------------------------|-------------------------------------|-----------------------------|-----------------------------------------|------------------------|------------|
| <b>Cost</b>              |                                     |                             |                                         |                        |            |
| At 1 January 2006        | 144,700                             | 1,690,160                   | 236,101                                 | 71,244                 | 2,142,205  |
| Additions                | 59,213                              | 383,598                     | 35,028                                  | 35,500                 | 513,339    |
| Disposals                | -                                   | (15,000)                    | -                                       | -                      | (15,000)   |
| At 31 December 2006      | 203,913                             | 2,058,758                   | 271,129                                 | 106,744                | 2,640,544  |
| <b>Depreciation</b>      |                                     |                             |                                         |                        |            |
| At 1 January 2006        | 140,850                             | 930,461                     | 147,960                                 | 21,095                 | 1,240,366  |
| On disposals             | -                                   | (15,000)                    | -                                       | -                      | (15,000)   |
| Charge for the year      | 1,999                               | 149,874                     | 30,663                                  | 16,895                 | 199,431    |
| At 31 December 2006      | 142,849                             | 1,065,335                   | 178,623                                 | 37,990                 | 1,424,797  |
| <b>Net book values</b>   |                                     |                             |                                         |                        |            |
| At 31 December 2006      | 61,064                              | 993,423                     | 92,506                                  | 68,754                 | 1,215,747  |
| At 31 December 2005      | 3,850                               | 759,699                     | 88,141                                  | 50,149                 | 901,839    |

Included above are assets held under finance leases or hire purchase contracts as follows

| Asset description   | 2006            |              | 2005            |              |
|---------------------|-----------------|--------------|-----------------|--------------|
|                     | Net             | Depreciation | Net             | Depreciation |
|                     | book value<br>£ | charge<br>£  | book value<br>£ | charge<br>£  |
| Plant and machinery | 341,503         | 32,213       | 151,052         | 23,761       |
| Equipment           | 14,720          | 60,646       | -               | -            |
| Motor vehicles      | 60,646          | 14,193       | 39,339          | 3,515        |
|                     | 416,869         | 107,052      | 190,391         | 27,276       |

**PROPER CORNISH LIMITED**

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

| <b>9. Fixed asset investments</b> | <b>Subsidiary<br/>undertakings</b> | <b>Total</b> |
|-----------------------------------|------------------------------------|--------------|
|                                   | <b>shares<br/>£</b>                | <b>£</b>     |
| <b>Cost</b>                       |                                    |              |
| Additions                         | 1                                  | 1            |
| At 31 December 2006               | 1                                  | 1            |
| <b>Net book values</b>            |                                    |              |
| At 31 December 2006               | 1                                  | 1            |

**9.1. Holdings of 20% or more**

The company holds 20% or more of the share capital of the following companies

| <b>Company</b>                   | <b>Country of<br/>registration<br/>or incorporation</b> | <b>Nature of<br/>business</b> | <b>Shares held<br/>class</b> | <b>Proportion<br/>of shares<br/>held</b> |
|----------------------------------|---------------------------------------------------------|-------------------------------|------------------------------|------------------------------------------|
| <b>Subsidiary undertaking</b>    |                                                         |                               |                              |                                          |
| Furniss (Proper Cornish) Limited | England                                                 | Food Manufacturing            | Ordinary                     | 100%                                     |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

|                                  | <b>Capital and reserves</b> | <b>Loss for the year</b> |
|----------------------------------|-----------------------------|--------------------------|
|                                  | <b>£</b>                    | <b>£</b>                 |
| Furniss (Proper Cornish) Limited | (118,545)                   | (118,545)                |

Furniss (Proper Cornish) has an accounts period end of 31 December 2007

| <b>10. Stocks</b>                   | <b>2006</b>    | <b>2005</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>£</b>       | <b>£</b>       |
| Raw materials and consumables       | 130,970        | 107,154        |
| Finished goods and goods for resale | 138,282        | 182,260        |
|                                     | <u>269,252</u> | <u>289,414</u> |

**PROPER CORNISH LIMITED**

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

| 11. Debtors                        | 2006<br>£        | 2005<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,394,303        | 1,094,718        |
| Amounts owed by group undertakings | 466,609          | -                |
| Other debtors                      | 59,075           | 41,645           |
| Prepayments and accrued income     | 78,455           | 76,008           |
|                                    | <u>1,998,442</u> | <u>1,212,371</u> |

Of Trade debtors, as stated above, factored debtors total £1,378,363

| 12. Creditors: amounts falling due<br>within one year               | 2006<br>£        | 2005<br>£        |
|---------------------------------------------------------------------|------------------|------------------|
| Bank overdraft                                                      | 334,193          | 6,179            |
| Bank loans                                                          | 28,565           | 9,333            |
| Other loans                                                         | 1,143,335        | 394,942          |
| Net obligations under finance leases<br>and hire purchase contracts | 159,809          | 59,195           |
| Trade creditors                                                     | 443,037          | 538,822          |
| Corporation tax                                                     | 26,720           | 71,685           |
| Other taxes and social security costs                               | 119,092          | 64,918           |
| Directors' accounts                                                 | 35,148           | -                |
| Other creditors                                                     | 44,501           | 54,464           |
| Accruals and deferred income                                        | 222,722          | 199,950          |
|                                                                     | <u>2,557,122</u> | <u>1,399,488</u> |

Other loans includes £954,085 (2005 £340,942) secured by an all monies debenture incorporating fixed and floating charge over the company's assets. Further security is provided by first legal charge over a property owned by Mr P R Ugalde, director, and personal guarantees of £75,000 each by Mr P R Ugalde and Mr C I Pauling, directors.

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|                                                                        |                   |                   |
|------------------------------------------------------------------------|-------------------|-------------------|
| <b>13. Creditors: amounts falling due<br/>after more than one year</b> | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
| Bank loans                                                             | 73,510            | 31,920            |
| Other loans                                                            | 105,000           | -                 |
| Net obligations under finance leases<br>and hire purchase contracts    | 153,197           | 54,247            |
|                                                                        | <u>331,707</u>    | <u>86,167</u>     |
| <br><b>Loans</b>                                                       |                   |                   |
| Repayable in one year or less, or on demand (Note 12)                  | 1,171,900         | 404,275           |
| Repayable between one and two years                                    | 142,658           | 9,958             |
| Repayable between two and five years                                   | 35,852            | 21,962            |
|                                                                        | <u>1,350,410</u>  | <u>436,195</u>    |

The bank loans and overdraft are secured by a legal charge over a property owned privately by Mr P R Ugalde, a director, and personal guarantees of £75,000 from Mr P R Ugalde and Mr C I Pauling, directors

The bank loans are subject to monthly repayments, the original to be repaid by 15 December 2009 and the new £75,000 to be repaid by August 2009

The hire purchase and finance lease liabilities are secured on the assets to which they relate

**Net obligations under finance leases  
and hire purchase contracts**

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Repayable within one year            | 159,809        | 59,195         |
| Repayable between one and five years | 153,197        | 54,247         |
|                                      | <u>313,006</u> | <u>113,442</u> |



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**14. Provisions for liabilities**

|                       | <b>Deferred<br/>taxation<br/>(Note 15)<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|--------------------------------------------------|--------------------|
| At 1 January 2006     | 15,375                                           | 15,375             |
| Movements in the year | 20,605                                           | 20,605             |
| At 31 December 2006   | <u>35,980</u>                                    | <u>35,980</u>      |

**15. Provision for deferred taxation**

|                                | <b>2006<br/>£</b> | <b>2005<br/>restated<br/>£</b> |
|--------------------------------|-------------------|--------------------------------|
| Accelerated capital allowances | <u>35,980</u>     | <u>15,375</u>                  |

**16. Share capital**

|                                                  | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
|--------------------------------------------------|-------------------|-------------------|
| <b>Authorised equity</b>                         |                   |                   |
| 1,000 Ordinary shares of £1 each                 | <u>1,000</u>      | <u>1,000</u>      |
| <b>Allotted, called up and fully paid equity</b> |                   |                   |
| 150 Ordinary shares of £1 each                   | <u>150</u>        | <u>200</u>        |

**17. Equity Reserves**

|                              | <b>Profit<br/>and loss<br/>account<br/>£</b> | <b>Capital<br/>redemption<br/>reserve<br/>£</b> | <b>Total<br/>£</b> |
|------------------------------|----------------------------------------------|-------------------------------------------------|--------------------|
| At 1 January 2006            | 903,193                                      | -                                               | 903,193            |
| Retained profit for the year | 296,808                                      |                                                 | 296,808            |
| Purchase of own shares       | (556,000)                                    | 50                                              | (555,950)          |
| At 31 December 2006          | <u>644,001</u>                               | <u>50</u>                                       | <u>644,051</u>     |

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| <b>18. Reconciliation of movements in shareholders' funds</b> | <b>2006</b>    | <b>2005</b>    |
|---------------------------------------------------------------|----------------|----------------|
|                                                               | <b>£</b>       | <b>£</b>       |
| Profit for the year                                           | 296,808        | 304,768        |
| Purchase of own shares                                        | (556,000)      | -              |
| Net addition to shareholders' funds                           | (259,192)      | 304,768        |
| Opening shareholders' funds                                   | 903,393        | 598,625        |
| Closing shareholders' funds                                   | <u>644,201</u> | <u>903,393</u> |

**19. Financial commitments**

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

|                            | <b>Land and buildings</b> |                | <b>Other</b>   |               |
|----------------------------|---------------------------|----------------|----------------|---------------|
|                            | <b>2006</b>               | <b>2005</b>    | <b>2006</b>    | <b>2005</b>   |
|                            | <b>£</b>                  | <b>£</b>       | <b>£</b>       | <b>£</b>      |
| <b>Expiry date:</b>        |                           |                |                |               |
| Within one year            | -                         | -              | 3,680          | 4,343         |
| Between one and five years | 109,735                   | 111,347        | 85,994         | 4,739         |
| In over five years         | -                         | -              | 14,206         | 25,116        |
|                            | <u>109,735</u>            | <u>111,347</u> | <u>103,880</u> | <u>34,198</u> |

| <b>20. Capital commitments</b>                                       | <b>2006</b>   | <b>2005</b>    |
|----------------------------------------------------------------------|---------------|----------------|
|                                                                      | <b>£</b>      | <b>£</b>       |
| Details of capital commitments at the accounting date are as follows |               |                |
| Contracted for but not provided in the financial statements          | <u>29,546</u> | <u>140,000</u> |

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**21. Transactions with directors**

The following directors had interest free loans during the year. The movements on these loans are as follows:

|               | Amount owing          |                       | Maximum<br>in year<br>in year<br>£ |
|---------------|-----------------------|-----------------------|------------------------------------|
|               | 31/12/06<br>2006<br>£ | 31/12/05<br>2005<br>£ |                                    |
| P R Ugalde    | -                     | 89                    | 89                                 |
| D W Pauling   | -                     | 53                    | 53                                 |
| C I Pauling   | -                     | 1,410                 | 1,410                              |
| J A Flowerdew | -                     | -                     | -                                  |
|               | <u>          </u>     | <u>          </u>     | <u>          </u>                  |

During the period P Ugalde, C Pauling and J Flowerdew had the following transactions on their director's current accounts:

- 1 They had net cash drawings of £nil, £nil and £nil respectively (2005 £4,876, £6,783 and £nil)
- 2 They introduced funds of £21,178, £10,197 and £5,272 respectively (2005 £5,312, £5,373 and £nil)
- 3 They received bonuses of £21,089, £8,787, and £5,272 respectively (2005 £nil through their current accounts)
- 4 At the balance sheet date the balances owed by the company to the directors were £21,089, £8,787 and £5,272 respectively

In addition, included within Other debtors are a number of outstanding payments made on behalf of the above directors awaiting repayment and totalling £2,147, £(11) and £165 respectively

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**22. Related party transactions**

P Ugalde and C Pauling, directors in Proper Cornish, act as guarantors on behalf of the company in respect of the invoice discounting loan from Bank of Scotland Corporate Finance. The amount owed at the balance sheet date on the invoice discounting advance was £954,085 (2005 £340,942)

They also act as guarantors in respect of operating leases and rental agreements on the property that the company trades from

P Ugalde has given a first legal charge over a property owned personally by him as security to Bank of Scotland in respect of company borrowings

A loan was received from J Moran in the year of £300,000. J Moran is a partner of ex-director D Pauling and is therefore considered a related party. Interest of £11,719 was paid on this loan during the year and £100,000 of capital repayments were made. As at 31 December 2006 the company owed J Moran £200,000

During the year the company purchased a company called Furniss (Proper Cornish) Limited which is a wholly owned subsidiary of Proper Cornish Limited. During the year Proper Cornish Limited made transferred cash of £305,000, paid wages of £78,954, and made purchases of £82,655. One £1 ordinary share was issued at par. At 31 December 2006 the company was owed £466,609 by Furniss.

Proper Cornish Limited acts as the guarantor for a £180,000 loan to Furniss (Proper Cornish) Limited from the Bank of Scotland.

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23. Gross cash flows

|                                                               | 2006<br>£        | 2005<br>£        |
|---------------------------------------------------------------|------------------|------------------|
| <b>Returns on investments and servicing of finance</b>        |                  |                  |
| Interest received                                             | 1,604            | 2,568            |
| Interest paid                                                 | (100,713)        | (65,469)         |
| Interest element of finance lease rental payments             | (5,359)          | (27,704)         |
|                                                               | <u>(104,468)</u> | <u>(90,605)</u>  |
| <b>Taxation</b>                                               |                  |                  |
| Corporation tax paid                                          | <u>(73,492)</u>  | <u>(58,298)</u>  |
| <b>Capital expenditure</b>                                    |                  |                  |
| Payments to acquire tangible assets                           | (195,924)        | (131,056)        |
| Receipts from sales of tangible assets                        | 5,500            | 16,000           |
|                                                               | <u>(190,424)</u> | <u>(115,056)</u> |
| <b>Acquisitions and disposals</b>                             |                  |                  |
| Payments on acquisition of group interests                    | <u>(1)</u>       | <u>-</u>         |
| <b>Financing</b>                                              |                  |                  |
| Purchase of own shares                                        | (556,000)        | -                |
| New long term bank loan                                       | 75,000           | 50,000           |
| Other new long term loans                                     | 953,393          | 610,476          |
| Repayment of long term bank loan                              | (14,178)         | (48,887)         |
| Repayment of other long term loans                            | (100,000)        | (689,404)        |
| Capital element of finance leases and hire purchase contracts | (117,851)        | (185,264)        |
|                                                               | <u>240,364</u>   | <u>(263,079)</u> |

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NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS  
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24. Analysis of changes in net debt

|                                            | Opening<br>balance      | Cash<br>flows             | Other<br>changes      | Closing<br>balance        |
|--------------------------------------------|-------------------------|---------------------------|-----------------------|---------------------------|
|                                            | £                       | £                         | £                     | £                         |
| Cash at bank and in hand                   | 799                     | (438)                     |                       | 361                       |
| Overdrafts                                 | (6,179)                 | (328,014)                 |                       | (334,193)                 |
|                                            | <u>(5,380)</u>          | <u>(328,452)</u>          |                       | <u>(333,832)</u>          |
| Debt due within one year                   | (404,275)               | (767,625)                 | -                     | (1,171,900)               |
| Debt due after one year                    | (31,921)                | (146,589)                 | -                     | (178,510)                 |
| Finance leases and hire purchase contracts | (113,443)               | (317,414)                 | 117,851               | (313,006)                 |
|                                            | <u>(549,639)</u>        | <u>(1,231,628)</u>        | <u>117,851</u>        | <u>(1,663,416)</u>        |
| <b>Net debt</b>                            | <u><u>(555,019)</u></u> | <u><u>(1,560,080)</u></u> | <u><u>117,851</u></u> | <u><u>(1,997,248)</u></u> |