

Registration number 3789756

PROPER CORNISH LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004



PROPER CORNISH LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Abbreviated profit and loss account	4
Abbreviated balance sheet	5
Cash flow statement	6
Notes to the financial statements	7 - 18

PROPER CORNISH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2004

The directors present their report and the accounts for the year ended 30 September 2004.

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 shows a satisfactory position, with shareholders funds amounting to £598,625 (2003: £404,970). There have been no events since the year end or significant future developments which need to be brought to the attention of the shareholders.

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:

	Ordinary shares	
	30/09/04	01/10/03
P R Ugalde	100	100
D W Pauling	50	50
C I Pauling	50	50
G S Allen	-	-
J A Flowerdew	-	-

Charitable and Political Contributions

During the year the company contributed £570 to charities.

Directors' responsibilities

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 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.

PROPER CORNISH LIMITED

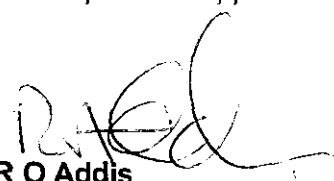
**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

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


R O Addis
Secretary

Date

2 / 3 / 05

PROPER CORNISH LIMITED

**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 18 together with the financial statements of Proper Cornish Limited for the year ended 30 September 2004 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 audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

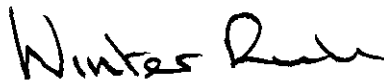
The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the 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 30 September 2004, and the abbreviated accounts on pages 4 to 18 are properly prepared in accordance with that provision.



**Winter Rule
Chartered Accountants and
Registered Auditors**

03/03/2005

**Victoria Parade Buildings
East Street
Newquay
Cornwall
TR7 1BG**

PROPER CORNISH LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

		Continuing operations	
		2004	2003
	Notes	£	£
Gross profit		2,326,670	2,273,894
Distribution costs		(522,593)	(486,714)
Administrative expenses		(1,440,485)	(1,530,937)
Operating profit	2	<u>363,592</u>	<u>256,243</u>
Other interest receivable and similar income	3	461	454
Interest payable and similar charges	4	<u>(95,171)</u>	<u>(99,766)</u>
Profit on ordinary activities before taxation		268,882	156,931
Tax on profit on ordinary activities	7	<u>(53,127)</u>	<u>(38,505)</u>
Profit on ordinary activities after taxation		215,755	118,426
Dividends	8	<u>(22,100)</u>	-
Retained profit for the year		<u>193,655</u>	<u>118,426</u>
Retained profit brought forward		404,770	286,344
Retained profit carried forward		<u><u>598,425</u></u>	<u><u>404,770</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 30 SEPTEMBER 2004

	Notes	2004		2003	
		£	£	£	£
Fixed assets					
Intangible assets	9		-		8,000
Tangible assets	10		892,723		1,050,992
			<u>892,723</u>		<u>1,058,992</u>
Current assets					
Stocks	11	218,542		249,210	
Debtors	12	1,109,188		1,009,035	
Cash at bank and in hand		226		33,626	
		<u>1,327,956</u>		<u>1,291,871</u>	
Creditors: amounts falling due within one year	13	<u>(1,539,780)</u>		<u>(1,743,388)</u>	
Net current liabilities			<u>(211,824)</u>		<u>(451,517)</u>
Total assets less current liabilities			680,899		607,475
Creditors: amounts falling due after more than one year	14		(72,258)		(186,992)
Provisions for liabilities and charges	15		(10,016)		(15,513)
Net assets			<u>598,625</u>		<u>404,970</u>
Capital and reserves					
Called up share capital	16		200		200
Profit and loss account			598,425		404,770
Equity shareholders' funds	17		<u>598,625</u>		<u>404,970</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



2/3/05

PROPER CORNISH LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

	Notes	2004 £	2003 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		363,592	256,243
Depreciation		208,973	283,834
Decrease / (Increase) in stocks		30,668	(35,253)
(Increase) in debtors		(100,153)	(56,126)
(Decrease) in creditors		(76,280)	(12,346)
Net cash inflow from operating activities		<u>426,800</u>	<u>436,352</u>
Cash flow statement			
Net cash inflow from operating activities		426,800	436,352
Returns on investments and servicing of finance	21	(94,710)	(96,312)
Taxation	21	(36,271)	(28,614)
Capital expenditure	21	(1,703)	(1,918)
		<u>294,116</u>	<u>309,508</u>
Equity dividends paid		(22,100)	-
		<u>272,016</u>	<u>309,508</u>
Financing	21	(402,795)	(188,129)
(Decrease) / Increase in cash in the year		<u>(130,779)</u>	<u>121,379</u>
Reconciliation of net cash flow to movement in net funds (Note 22)			
(Decrease) / Increase in cash in the year		(130,779)	121,379
Cash outflow from increase in debts and lease financing		402,795	188,129
		<u>272,016</u>	<u>309,508</u>
Change in net funds resulting from cash flows		272,016	309,508
New finance leases and hire purchase contracts		(41,000)	(90,761)
Movement in net funds in the year		<u>231,016</u>	<u>218,747</u>
Net debt at 1 October 2003		(1,033,512)	(1,252,259)
Net debt at 30 September 2004		<u>(802,496)</u>	<u>(1,033,512)</u>

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

1. Accounting policies

1.1. Accounting convention

The accounts are prepared under the historical cost convention .

1.2. Turnover

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

1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 5 years.

1.4. 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 2 to 10 years straight line
Fixtures, fittings and equipment	-	33% or 20% per annum, reducing balance
Motor vehicles	-	25% per annum, reducing balance

1.5. 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 asset's 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

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 30 SEPTEMBER 2004**

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.

2. Operating profit	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	8,000	8,000
Depreciation and other amounts written off tangible assets	199,696	264,546
Loss on disposal of tangible fixed assets	1,277	11,288
Operating lease rentals		
- Plant and machinery	161,596	165,625
- Land and buildings	246,698	220,914
Auditors' remuneration	2,625	2,500
and after crediting:		
Government grants	8,167	13,042
3. Interest receivable and similar income	2004	2003
	£	£
Bank interest	457	454
Other interest	4	-
	461	454
4. Interest payable and similar charges	2004	2003
	£	£
On bank loans and overdrafts	6,733	6,411
On other loans	2,466	10,739
Lease finance charges and hire purchase interest	40,041	46,650
Factoring interest	45,678	35,966
On overdue tax	253	-
	95,171	99,766

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

5. Employees

Number of employees	2004	2003
The average monthly numbers of employees during the year were:		
Production staff	93	92
Administration staff	17	18
Other	38	37
	<u>148</u>	<u>147</u>

Employment costs	2004	2003
	£	£
Wages and salaries	2,065,426	1,882,460
Social security costs	180,456	145,776
Other pension costs	4,012	4,012
	<u>2,249,894</u>	<u>2,032,248</u>

5.1. Directors' emoluments

	2004	2003
	£	£
Remuneration and other emoluments	316,395	338,701
Pension contributions	4,012	4,012
	<u>320,407</u>	<u>342,713</u>

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

Highest paid director	£	£
Amounts included above:		
Emoluments and other benefits	<u>80,115</u>	<u>87,465</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 (2003 - £4,012).

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

7. Tax on profit on ordinary activities

Analysis of charge in period	2004	2003
	£	£
Current tax		
UK corporation tax	55,465	30,646
Adjustments in respect of previous periods	3,159	5,686
	<u>58,624</u>	<u>36,332</u>
Total current tax charge	<u>58,624</u>	<u>36,332</u>
Deferred tax		
Timing differences, origination and reversal	(5,497)	2,173
Total deferred tax	<u>(5,497)</u>	<u>2,173</u>
Tax on profit on ordinary activities	<u>53,127</u>	<u>38,505</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before taxation	<u>268,882</u>	<u>156,931</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (30 September 2003 : 19%)	51,088	29,817
Effects of:		
Expenses not deductible for tax purposes	(1,120)	3,002
Capital allowances for period in excess of depreciation	5,497	(2,173)
Adjustments to tax charge in respect of previous periods	3,159	5,686
Current tax charge for period	<u>58,624</u>	<u>36,332</u>

8. Dividends

	2004	2003
	£	£
Dividends on equity shares:		
Ordinary shares - interim paid	<u>22,100</u>	<u>-</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

9. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 October 2003 and 30 September 2004	40,000	40,000
Provision for diminution in value		
At 1 October 2003	32,000	32,000
Charge for year	8,000	8,000
At 30 September 2004	40,000	40,000
Net book values		
At 30 September 2004	-	-
At 30 September 2003	8,000	8,000

10. Tangible fixed assets	Short leasehold property £	Plant and machinery £	Fixtures, fittings equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2003	144,700	1,537,875	175,001	66,299	1,923,875
Additions	-	47,193	2,511	-	49,704
Disposals	-	(15,000)	(483)	-	(15,483)
At 30 September 2004	144,700	1,570,068	177,029	66,299	1,958,096
Depreciation					
At 1 October 2003	114,169	637,398	101,281	20,035	872,883
On disposals	-	(6,909)	(296)	-	(7,205)
Charge for the year	13,433	144,092	30,605	11,565	199,695
At 30 September 2004	127,602	774,581	131,590	31,600	1,065,373
Net book values					
At 30 September 2004	17,098	795,487	45,439	34,699	892,723
At 30 September 2003	30,531	900,477	73,720	46,264	1,050,992

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

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

Asset description	2004		2003	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Plant and machinery	457,657	60,276	475,206	76,954
Equipment	5,476	8,214	14,675	7,228
Motor vehicles	24,401	8,134	32,534	6,360
	<u>487,534</u>	<u>76,624</u>	<u>522,415</u>	<u>90,542</u>

11. Stocks

	2004 £	2003 £
Raw materials and consumables	114,543	133,833
Finished goods and goods for resale	103,999	115,377
	<u>218,542</u>	<u>249,210</u>

12. Debtors

	2004 £	2003 £
Trade debtors	998,845	853,039
Other debtors	22,764	55,151
Prepayments and accrued income	87,579	100,845
	<u>1,109,188</u>	<u>1,009,035</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

13. Creditors: amounts falling due within one year	2004 £	2003 £
Bank overdraft	130,612	33,233
Bank loans	6,098	5,631
Other loans	454,870	693,340
Net obligations under finance leases and hire purchase contracts	138,887	147,942
Trade creditors	543,176	571,307
Corporation tax	58,598	36,245
Other taxes and social security costs	49,590	105,413
Directors' accounts	-	2,486
Other creditors	25,386	26,560
Accruals and deferred income	132,563	121,231
	<u>1,539,780</u>	<u>1,743,388</u>

Other loans includes £419,870 (2003: £650,536) secured by an all assets debenture incorporating fixed and floating charge over the company's assets.

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

14. Creditors: amounts falling due after more than one year	2004 £	2003 £
Bank loans	34,042	40,388
Net obligations under finance leases and hire purchase contracts	38,216	146,604
	<u>72,258</u>	<u>186,992</u>
Loans		
Repayable in one year or less, or on demand (Note 13)	460,968	698,971
Repayable between one and two years	6,603	6,098
Repayable between two and five years	23,278	21,496
Repayable in five years or more	4,161	12,794
	<u>495,010</u>	<u>739,359</u>

The bank loan and overdraft are secured by an unlimited debenture dated 24 January 2000 including the right to set off and a first legal charge over a property owned privately by Mr P R Ugalde, a director.

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

	2004 £	2003 £
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	138,887	147,942
Repayable between one and five years	38,216	146,604
	<u>177,103</u>	<u>294,546</u>

The bank loan is subject to monthly repayments and is to be paid by 11 April 2010.

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

15. Provision for deferred taxation	2004	2003
	£	£
Accelerated capital allowances	10,016	15,513
	<hr/>	<hr/>
Provision at 1 October 2003	15,513	
Deferred tax charge in profit and loss account	(5,497)	
	<hr/>	
Provision at 30 September 2004	10,016	
	<hr/>	
 16. Share capital	 2004	 2003
	£	£
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
200 Ordinary shares of £1 each	200	200
	<hr/>	<hr/>
 17. Reconciliation of movements in shareholders' funds	 2004	 2003
	£	£
Profit for the year	215,755	118,426
Dividends	(22,100)	-
	<hr/>	<hr/>
	193,655	118,426
Opening shareholders' funds	404,970	286,544
	<hr/>	<hr/>
Closing shareholders' funds	598,625	404,970
	<hr/>	<hr/>

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

18. Financial commitments

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	12,875	-	2,820	41,203
Between one and five years	23,700	51,380	68,098	81,607
In over five years	39,465	39,465	14,943	-
	<u>76,040</u>	<u>90,845</u>	<u>85,861</u>	<u>122,810</u>

19. Transactions with directors

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

	Amount owing		Maximum
	2004	2003	in year
	£	£	£
P R Ugalde	345	14,797	15,876
D W Pauling	305	7,037	10,093
C I Pauling	-	-	5,224
	<u>-</u>	<u>-</u>	<u>-</u>

During the year P Ugalde, D Pauling and C Pauling had the following transactions on their director's current accounts:

1. They had cash drawings of £1,265, £3,195 and £7,591 respectively (2003: £29,708, £7,037 and £23,935).
2. They had dividends credited of £nil £nil and £nil respectively (2003: £13,500, £6,750 and £6,750).
3. They introduced funds of £15,717, £9,927 and £5,105 respectively) 2003: £nil, £1,949 and £28,362) and in addition C Pauling had a bonus credited of £nil (2003: £4,759).
4. At the balance sheet date transactions outstanding between the company and the directors' were as shown above. (2003: The company owed C Pauling £2,486 and was owed the amounts shown above from the other directors).

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

20. Related party transactions

P Ugalde, D Pauling and C Pauling act as guarantors on behalf of the company in respect of various finance leases and the invoice discounting loan from Lloyds TSB Commercial Finance Limited. The amount owed at the balance sheet date on these leases amounted to £68,709 (2003: £149,226) and the balance owed on the invoice discounting advance was £419,870 (2003: £650,536). They also act as guarantors in respect of operating leases and hire purchase agreements with payments outstanding at the balance sheet date of £34,258 (2003: £65,494). In addition they act as guarantors in respect of other liabilities totalling £nil (2003: £7,805).

P Ugalde has given a first legal charge over a property owned personally by him as security to Lloyds TSB Plc in respect of company borrowings.

21. Gross cash flows

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest received	461	454
Interest paid	(67,157)	(78,976)
Interest element of finance lease rental payments	(28,014)	(17,790)
	<u>(94,710)</u>	<u>(96,312)</u>
Taxation		
Corporation tax paid	(36,271)	(28,614)
Capital expenditure		
Payments to acquire tangible assets	(8,704)	(52,314)
Receipts from sales of tangible assets	7,001	50,396
	<u>(1,703)</u>	<u>(1,918)</u>
Financing		
Other new short term loans	-	192,784
Repayment of long term bank loan	(5,879)	(5,571)
Repayment of other short term loans	(238,471)	(43,762)
Capital element of finance leases and hire purchase contracts	(158,445)	(331,580)
	<u>(402,795)</u>	<u>(188,129)</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

22. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	33,626	(33,400)		226
Overdrafts	(33,233)	(97,379)		(130,612)
	<u>393</u>	<u>(130,779)</u>		<u>(130,386)</u>
Debt due within one year	(698,971)	244,101	(6,098)	(460,968)
Debt due after one year	(40,388)	249	6,098	(34,041)
Finance leases and hire purchase contracts	(294,546)	158,445	(41,000)	(177,101)
	<u>(1,033,905)</u>	<u>402,795</u>	<u>(41,000)</u>	<u>(672,110)</u>
Net funds	<u>(1,033,512)</u>	<u>272,016</u>	<u>(41,000)</u>	<u>(802,496)</u>

During the year the company entered into finance leases and hire purchase contracts in respect of assets with a total capital value at inception of £41,000 (2003: £90,761).