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Registration number 3789756

PROPER CORNISH LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003



PROPER CORNISH LIMITED

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PROPER CORNISH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2003

The directors present their report and the accounts for the year ended 30 September 2003.

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.

Results and dividends

The results for the year are set out on page 3.

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	
	30/09/03	01/10/02
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 £741 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.

Auditors

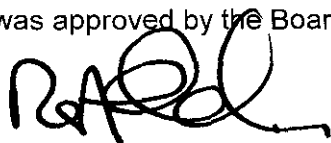
In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Winter Rule be reappointed as auditors of the company will be put to the Annual General Meeting.

The directors recommend that Winter Rule remain in office until further notice.

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: 2/3/04

**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 3 to 17 together with the financial statements of Proper Cornish Limited for the year ended 30 September 2003 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

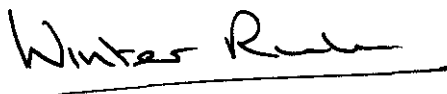
The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the 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 2003, and the abbreviated accounts on pages 3 to 17 are properly prepared in accordance with that provision.



**Winter Rule
Chartered Accountants and
Registered Auditors**

23/03/2004

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

PROPER CORNISH LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

		Continuing operations	
	Notes	2003 £	2002 £
Gross profit		2,260,852	2,110,307
Distribution costs		(486,714)	(506,427)
Administrative expenses		(1,530,937)	(1,335,432)
Other operating income		13,042	9,320
Operating profit	2	256,243	277,768
Other interest receivable and similar income	3	454	408
Interest payable and similar charges	4	(99,766)	(137,514)
Profit on ordinary activities before taxation		156,931	140,662
Tax on profit on ordinary activities	7	(38,505)	(41,965)
Profit on ordinary activities after taxation		118,426	98,697
Dividends	8	-	(54,000)
Retained profit for the year		118,426	44,697
Retained profit brought forward		286,344	241,647
Retained profit carried forward		404,770	286,344

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 2003

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	9		8,000		16,000
Tangible assets	10		1,050,992		1,234,147
			<u>1,058,992</u>		<u>1,250,147</u>
Current assets					
Stocks	11	249,210		213,957	
Debtors	12	1,009,035		979,909	
Cash at bank and in hand		33,626		24,826	
		<u>1,291,871</u>		<u>1,218,692</u>	
Creditors: amounts falling due within one year	13	(1,743,388)		(1,843,875)	
Net current liabilities			<u>(451,517)</u>		<u>(625,183)</u>
Total assets less current liabilities			607,475		624,964
Creditors: amounts falling due after more than one year	14		(186,992)		(325,080)
Provisions for liabilities and charges	15		(15,513)		(13,340)
Net assets			<u>404,970</u>		<u>286,544</u>
Capital and reserves					
Called up share capital	16		200		200
Profit and loss account			404,770		286,344
Equity shareholders' funds	17		<u>404,970</u>		<u>286,544</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:

pm u3
5/3/04.

PROPER CORNISH LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		256,243	277,768
Depreciation		283,834	235,064
(Increase) in stocks		(35,253)	(17,014)
(Increase) in debtors		(56,126)	(287,897)
Increase in creditors		165,438	317,464
Net cash inflow from operating activities		<u>614,136</u>	<u>525,385</u>
Cash flow statement			
Net cash inflow from operating activities		614,136	525,385
Returns on investments and servicing of finance	21	(96,312)	(121,106)
Taxation	21	(28,614)	(24,449)
Capital expenditure	21	(1,918)	(106,710)
		<u>487,292</u>	<u>273,120</u>
Equity dividends paid		-	(27,000)
		<u>487,292</u>	<u>246,120</u>
Financing	21	(365,913)	(328,047)
Increase in cash in the year		<u>121,379</u>	<u>(81,927)</u>
Reconciliation of net cash flow to movement in net funds (Note 22)			
Increase in cash in the year		121,379	(81,927)
Cash outflow from increase in debts and lease financing		365,913	328,047
Change in net funds resulting from cash flows		487,292	246,120
New finance leases and hire purchase contracts		(90,761)	(473,501)
Movement in net funds in the year		396,531	(227,381)
Net debt at 1 October 2002		(779,507)	(552,126)
Net debt at 30 September 2003		<u>(382,976)</u>	<u>(779,507)</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

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.

1.8. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes.

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

1.9. Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2. Operating profit	2003	2002
	£	£
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	264,546	227,347
Loss on disposal of tangible fixed assets	11,288	(283)
Operating lease rentals		
- Plant and machinery	165,625	156,624
- Land and buildings	220,914	219,201
Auditors' remuneration	2,500	2,500
and after crediting:		
Government grants	13,042	9,320
3. Interest receivable and similar income	2003	2002
	£	£
Bank interest	454	408
4. Interest payable and similar charges	2003	2002
	£	£
On bank loans and overdrafts	9,411	26,457
On loans repayable between one and two years	7,739	2,100
Lease finance charges and hire purchase interest	46,650	78,151
Factoring interest	35,966	30,806
	99,766	137,514

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

5. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2003	2002
Production staff	92	89
Administration staff	18	14
Other	37	35
	<u>147</u>	<u>138</u>

Employment costs

	2003 £	2002 £
Wages and salaries	1,913,014	1,776,954
Social security costs	145,776	133,868
Other pension costs	4,012	4,012
	<u>2,062,802</u>	<u>1,914,834</u>

5.1. Directors' emoluments

	2003 £	2002 £
Remuneration and other emoluments	338,701	293,839
Pension contributions	4,012	4,012
	<u>342,713</u>	<u>297,851</u>

Number of directors to whom retirement benefits
are accruing under a money purchase scheme

Number	Number
<u>1</u>	<u>1</u>

Highest paid director

Amounts included above:

Emoluments and other benefits

£	£
<u>87,465</u>	<u>82,589</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 (2002 - £4,012).

PROPER CORNISH LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

7. Tax on profit on ordinary activities

Analysis of charge in period	2003	2002
	£	£
UK corporation tax	30,646	28,625
Prior period adjustments	5,686	-
	<u>36,332</u>	<u>28,625</u>
Total current tax charge	<u>36,332</u>	<u>28,625</u>
Deferred tax		
Timing differences, origination and reversal	2,173	2,022
Prior period adjustments	-	11,318
Total deferred tax	<u>2,173</u>	<u>13,340</u>
Tax on profit on ordinary activities	<u>38,505</u>	<u>41,965</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 per cent). The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>156,931</u>	<u>140,662</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (30 September 2002 : 19%)	29,817	26,726
Expenses not deductible for tax purposes	3,002	3,189
Capital allowances for period in excess of depreciation	(2,173)	(2,022)
Adjustments to tax charge in respect of previous periods	5,686	-
Reduction in CT rate from 20% to 19% during year	-	732
Current tax charge for period	<u>36,332</u>	<u>28,625</u>

8. Dividends

Dividends on equity shares:

	2003	2002
	£	£
Ordinary shares - interim paid	-	27,000
Ordinary shares - final proposed	-	27,000
	<u>-</u>	<u>54,000</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

9. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 October 2002 and 30 September 2003	40,000	40,000
Provision for diminution in value		
At 1 October 2002	24,000	24,000
Charge for year	8,000	8,000
At 30 September 2003	32,000	32,000
Net book values		
At 30 September 2003	8,000	8,000
At 30 September 2002	16,000	16,000

10. Tangible fixed assets	Short leasehold property £	Plant and machinery £	Fixtures, fittings equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2002	137,641	1,455,255	151,530	146,801	1,891,227
Additions	7,059	82,620	23,471	29,925	143,075
Disposals	-	-	-	(110,427)	(110,427)
At 30 September 2003	144,700	1,537,875	175,001	66,299	1,923,875
Depreciation					
At 1 October 2002	67,388	469,911	70,522	49,259	657,080
On disposals	-	-	-	(48,743)	(48,743)
Charge for the year	46,781	167,487	30,759	19,519	264,546
At 30 September 2003	114,169	637,398	101,281	20,035	872,883
Net book values					
At 30 September 2003	30,531	900,477	73,720	46,264	1,050,992
At 30 September 2002	70,253	985,344	81,008	97,542	1,234,147

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Asset description	2003		2002	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Plant and machinery	475,206	76,954	668,628	64,563
Equipment	14,675	7,228	23,842	3,222
Motor vehicles	32,534	6,360	91,610	17,839
	<u>522,415</u>	<u>90,542</u>	<u>784,080</u>	<u>85,624</u>

11. Stocks	2003 £	2002 £
Raw materials and consumables	133,833	123,807
Finished goods and goods for resale	115,377	90,150
	<u>249,210</u>	<u>213,957</u>

12. Debtors	2003 £	2002 £
Trade debtors	853,039	745,921
Other debtors	55,151	127,643
Prepayments and accrued income	100,845	106,345
	<u>1,009,035</u>	<u>979,909</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

13. Creditors: amounts falling due within one year	2003 £	2002 £
Bank overdraft	33,233	145,812
Bank loans	5,631	5,200
Other loans	693,340	544,318
Net obligations under finance leases and hire purchase contracts	147,942	256,675
Trade creditors	571,307	558,430
Corporation tax	36,245	28,527
Other taxes and social security costs	105,413	51,216
Directors' accounts	2,486	1,411
Other creditors	26,560	32,131
Accruals and deferred income	121,231	193,155
Proposed dividend	-	27,000
	<u>1,743,388</u>	<u>1,843,875</u>

Other loans includes £650,536 (2002: £472,752) 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 2003

14. Creditors: amounts falling due after more than one year	2003 £	2002 £
Bank loans	40,388	46,390
Net obligations under finance leases	146,604	278,690
	<u>186,992</u>	<u>325,080</u>
Loans		
Repayable in one year or less, or on demand (Note 13)	698,971	549,518
Repayable between one and two years	6,098	5,631
Repayable between two and five years	21,496	19,851
Repayable in five years or more	12,794	20,908
	<u>739,359</u>	<u>595,908</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.

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

Repayable within one year	147,942	256,675
Repayable between one and five years	146,604	278,690
	<u>294,546</u>	<u>535,365</u>

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

15. Provision for deferred taxation

	2003 £	2002 £
Accelerated capital allowances	15,513	13,340
Undiscounted provision for deferred tax	<u>15,513</u>	<u>13,340</u>
Provision at 1 October 2002	13,340	
Deferred tax charge in profit and loss account	2,173	
Provision at 30 September 2003	<u>15,513</u>	

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

16. Share capital	2003	2002
	£	£
Authorised equity		
1,000 Ordinary shares of 1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid equity		
200 Ordinary shares of 1 each	200	200
	<hr/>	<hr/>
17. Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit for the year	118,426	98,697
Dividends	-	(54,000)
	<hr/>	<hr/>
	118,426	44,697
Opening shareholders' funds	286,544	241,847
	<hr/>	<hr/>
Closing shareholders' funds	404,970	286,544
	<hr/>	<hr/>

18. Financial commitments

At 30 September 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	41,203	20,736
Between one and five years	51,380	77,565	81,607	60,983
In over five years	39,465	13,280	-	2,544
	<hr/>	<hr/>	<hr/>	<hr/>
	90,845	90,845	122,810	84,263
	<hr/>	<hr/>	<hr/>	<hr/>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

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 in year £
	2003 £	2002 £	
P R Ugalde	14,797	-	14,797
D W Pauling	7,037	8,699	9,748
C I Pauling	-	13,450	13,450

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

1. They had cash drawings of £29,708, £7,037 and £23,935 respectively (2002: £27,474, £14,258 and £20,385).
2. They had dividends credited of £13,500, £6,750 and £6,750 respectively (2002: £13,500, £6,750 and £6,750).
3. Mr D Pauling and Mr C Pauling introduced funds of £1,949 and £28,362 respectively and in addition Mr C Pauling had a bonus credited of £4,759.
4. At the balance sheet date the company owed Mr C Pauling £2,486 and was owed the amounts shown above from the other directors (2002: The company owed Mr P Ugalde £1,411)

20. Related party transactions

Mr P Ugalde, Mr D Pauling and Mr 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 £149,226 (2002: £346,863) and the balance owed on the invoice discounting advance was £650,536 (2002: £472,752). They also act as guarantors in respect of operating leases and hire purchase agreements with payments outstanding at the balance sheet date of £65,494 (2002: £81,062). In addition they act as guarantors in respect of other liabilities totalling £7,805 (2002: £36,567).

Mr 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.

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

21. Gross cash flows

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	454	408
Interest paid	(78,976)	(61,111)
Interest element of finance lease rental payments	(17,790)	(60,403)
	<u>(96,312)</u>	<u>(121,106)</u>
Taxation		
Corporation tax paid	<u>(28,614)</u>	<u>(24,449)</u>
Capital expenditure		
Payments to acquire tangible assets	(52,314)	(109,370)
Receipts from sales of tangible assets	50,396	2,660
	<u>(1,918)</u>	<u>(106,710)</u>
Financing		
Other new short term loans	15,000	65,000
Repayment of long term bank loan	(5,571)	(5,172)
Repayment of other short term loans	(43,762)	(11,053)
Capital element of finance leases and hire purchase contracts	(331,580)	(376,822)
	<u>(365,913)</u>	<u>(328,047)</u>

PROPER CORNISH LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

22. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	24,826	8,800		33,626
Overdrafts	(145,812)	112,579		(33,233)
	(120,986)	121,379		393
Debt due within one year	(76,766)	33,962	(5,631)	(48,435)
Debt due after one year	(46,390)	371	5,631	(40,388)
Finance leases and hire purchase contracts	(535,365)	331,580	(90,761)	(294,546)
	(658,521)	365,913	(90,761)	(383,369)
Net funds	(779,507)	487,292	(90,761)	(382,976)

Major non cash transactions

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 £90,761 (2002 £473,501)