

Registrar

Registration Number 00079310

Failsworth Hats Limited

Abbreviated Accounts

for the year ended 31 December 2001



Failsworth Hats Limited

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Failsworth Hats Limited
Directors' Report
for the year ended 31 December 2001

The directors present their report and the accounts for the year ended 31 December 2001.

Principal Activity

The principal activity of the company during the year was the manufacture and distribution of hats.

Business Review

The directors are pleased to report a significant increase in the company's profitability during the year ended 31st December 2001. This has been achieved by increasing the company's turnover by approximately 40% compared with the previous year whilst maintaining a reasonable gross profit margin. The profits for the year have been retained within the company and this has helped to strengthen the balance sheet. The directors are confident that similar results can be achieved during the next twelve months. During the year, the company acquired a subsidiary undertaking, Marida Hats Limited, details of which are shown in note 10 to the accounts.

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 share capital of company are as stated below:

		£1 Ordinary shares	
		2001	2000
Mr P C Wilson		-	-
Mr P Lynch		-	-
Mr R Bettley	Appointed 1/1/01	-	-

Mr A Dixon, a partner in the company's auditors, has a non-beneficial interest in 24,800 shares via his trusteeship of the ultimate controlling party, Failsworth Trust.

Charitable and Political Contributions

During the year the company contributed £432 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.

Failsworth Hats Limited

Directors' Report for the year ended 31 December 2001

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.

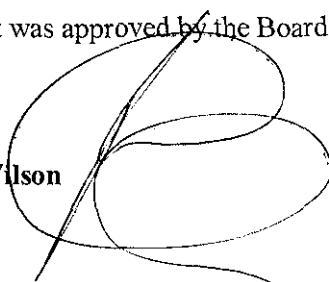
Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Wrigley Partington 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 on 19 October 2002 and signed on its behalf by:

Mr P C Wilson
Secretary

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned over the printed name and title of the Secretary.

**Independent Auditors' Report to Failsworth Hats Limited
under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts set out on pages 4 to 19 together with the financial statements of Failsworth Hats Limited for the year ended 31 December 2001, 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 31 December 2001, and the abbreviated accounts on pages 4 to 19 are properly prepared in accordance with that provision.

**Wrigley Partington
Chartered Accountants and
Registered Auditor
Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY**



Date: 11th October 2002

Failsworth Hats Limited

Abbreviated Profit and Loss Account for the year ended 31 December 2001

		Continuing operations	
		2001	2000
	Notes	£	£
Gross profit		1,277,791	988,928
Distribution costs		(411,519)	(367,246)
Administrative expenses		(670,759)	(575,519)
Exceptional items	6	(75,054)	-
Other operating income		-	14,000
Operating profit	2	120,459	60,163
Interest receivable and similar income	3	2	4
Interest payable and similar charges	4	(26,500)	(18,856)
Retained profit for the year		93,961	41,311
Retained profit brought forward		119,366	78,055
Retained profit carried forward		213,327	119,366

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

The results for the year ended 31st December 2000 include turnover and operating profit derived from an activity acquired during that year. The contribution of this acquisition towards the results for the year cannot be separately identified.

The notes on pages 7 to 19 form an integral part of these financial statements.

Failsworth Hats Limited

Balance Sheet as at 31 December 2001

	Notes	2001		2000	
		£	£	£	£
Fixed Assets					
Intangible assets	7		19,600		44,100
Tangible assets	8		390,891		381,487
			<u>410,491</u>		<u>425,587</u>
Current Assets					
Stocks	10	646,071		572,056	
Debtors	11	703,770		617,915	
Cash at bank and in hand		113,374		1,220	
		<u>1,463,215</u>		<u>1,191,191</u>	
Creditors: amounts falling due within one year	12	<u>(881,231)</u>		<u>(635,464)</u>	
Net Current Assets			<u>581,984</u>		<u>555,727</u>
Total Assets Less Current Liabilities			992,475		981,314
Creditors: amounts falling due after more than one year	13		<u>(754,023)</u>		<u>(836,823)</u>
Net Assets			<u><u>238,452</u></u>		<u><u>144,491</u></u>
Capital and Reserves					
Called up share capital	14		25,125		25,125
Profit and loss account			213,327		119,366
Equity Shareholders' Funds	15		<u><u>238,452</u></u>		<u><u>144,491</u></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 on 15th October 2002 and signed on its behalf by:

Mr P C Wilson
Director

The notes on pages 7 to 19 form an integral part of these financial statements.

Failsworth Hats Limited

Cash Flow Statement for the year ended 31 December 2001

	Notes	2001 £	2000 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		120,459	60,163
Depreciation		36,296	43,200
(Increase) in stocks		(74,015)	(175,818)
(Increase) in debtors		(85,854)	(249,339)
Increase in creditors		399,056	131,660
Net cash inflow from operating activities		<u>395,942</u>	<u>(190,134)</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		395,942	(190,134)
Returns on investments and servicing of finance	20	(26,498)	(18,852)
Capital expenditure	20	(30,000)	(71,630)
Acquisitions and disposals	20	(1)	-
		<u>339,443</u>	<u>(280,616)</u>
Financing	20	(100,624)	212,800
Increase in cash in the year		<u>238,819</u>	<u>(67,816)</u>

Reconciliation of net cash flow to movement in net funds (Note 21)

Increase in cash in the year		238,819	(67,816)
Cash inflow from increase in debts and lease financing		100,624	(212,800)
Change in net funds resulting from cash flows		<u>339,443</u>	<u>(280,616)</u>
New finance leases		(15,700)	(17,235)
Movement in net funds in the year		323,743	(297,851)
Net debt at 1 January 2001		<u>(998,476)</u>	<u>(700,625)</u>
Net funds at 31 December 2001		<u>(674,733)</u>	<u>(998,476)</u>

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

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 10 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:

Land and buildings	-	2% straight line
Plant and machinery	-	15% reducing balance
Motor vehicles	-	25% 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 their useful lives. 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 and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.7. 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 except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

1.8. Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

1.9. Contributions to pension fund

The company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged in the profit and loss account so as to spread the cost of pensions over the employees working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuation, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

1.10. Investments

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

1.11. Consolidated accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts. These accounts therefore present information about the company as an individual undertaking and not about its group.

2. Operating profit	2001 £	2000 £
Operating profit is stated after charging:		
Hire of equipment	4,606	5,171
Amortisation of intangible assets	-	4,900
Depreciation of tangible assets	35,367	32,689
Loss on disposal of tangible fixed assets	929	5,611
Loss on foreign currencies	2,036	2,882
Auditors' remuneration	14,400	11,778
	<u> </u>	<u> </u>
3. Interest receivable and similar income	2001 £	2000 £
Bank interest	<u> 2 </u>	<u> 4 </u>

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

4. Interest payable and similar charges	2001 £	2000 £
On bank loans and overdrafts	11,392	16,179
Hire purchase interest	2,626	2,677
Factoring interest	12,482	-
	<u>26,500</u>	<u>18,856</u>

5. Employees

Number of employees

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

	2001	2000
Production	74	63
Selling and distribution	10	9
Administration	19	17
	<u>103</u>	<u>89</u>

Employment costs

	2001 £	2000 £
Wages and salaries	1,258,590	1,005,081
Social security costs	96,328	78,439
	<u>1,354,918</u>	<u>1,083,520</u>

5.1. Directors' emoluments

	2001 £	2000 £
Remuneration and other emoluments	<u>122,058</u>	<u>120,976</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a defined benefit scheme	3	3

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

6. Exceptional items	2001 £	2000 £
Bad debt arising on closure of subsidiary undertaking	75,053	-
Permanent diminution in value of fixed asset investment	1	-
	<u>75,054</u>	<u>-</u>

This note should be read in conjunction with note 17 relating to contingent liabilities and post balance sheet events.

7. Intangible fixed assets	Goodwill £	Total £
Cost		
At 1 January 2001	49,000	49,000
Prior year overstatement	(24,500)	(24,500)
At 31 December 2001	<u>24,500</u>	<u>24,500</u>
Amortisation		
At 1 January 2001	4,900	4,900
Prior year overstatement	(2,450)	(2,450)
Charge for year	2,450	2,450
At 31 December 2001	<u>4,900</u>	<u>4,900</u>
Net book values		
At 31 December 2001	<u>19,600</u>	<u>19,600</u>
At 1 January 2001	<u>44,100</u>	<u>44,100</u>

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

8. Tangible fixed assets

	Land and buildings freehold	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2001	274,344	460,725	50,450	785,519
Additions	-	19,824	31,675	51,499
Disposals	-	(1,483)	(16,300)	(17,783)
At 31 December 2001	<u>274,344</u>	<u>479,066</u>	<u>65,825</u>	<u>819,235</u>
Depreciation				
At 1 January 2001	10,973	371,217	21,842	404,032
On disposals	-	(563)	(10,492)	(11,055)
Charge for the year	5,487	16,261	13,619	35,367
At 31 December 2001	<u>16,460</u>	<u>386,915</u>	<u>24,969</u>	<u>428,344</u>
Net book values				
At 31 December 2001	<u>257,884</u>	<u>92,151</u>	<u>40,856</u>	<u>390,891</u>
At 1 January 2001	<u>263,371</u>	<u>89,508</u>	<u>28,608</u>	<u>381,487</u>

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

Asset description	2001		2000	
	Net	Depreciation	Net	Depreciation
	book value	charge	book value	charge
	£	£	£	£
Plant and machinery	4,208	742	4,950	873
Motor vehicles	28,875	9,625	22,800	7,600
	<u>33,083</u>	<u>10,367</u>	<u>27,750</u>	<u>8,473</u>

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

9. Fixed Asset Investments

	Subsidiary Undertakings Shares	Total
	£	£
Cost		
Additions	1	1
At 31 December 2001	1	1
Provisions for diminution in value:		
Movement	1	1
At 31 December 2001	1	1

9.1. Holdings of 20% or more

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

Company	Country of registration or incorporation	Shares held Class	Holding
Subsidiary undertaking			
Marida Hats Limited	United Kingdom	Ordinary	100%

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

	Capital and reserves £	Loss for the year £
Marida Hats Limited	(104,877)	(104,878)

This note should be read in conjunction with note 17 relating to contingent liabilities and post balance sheet events.

Failsworth Hats Limited

**Notes to the Abbreviated Accounts
for the year ended 31 December 2001**

..... continued

10. Stocks	2001 £	2000 £
Raw materials and consumables	250,602	213,432
Work in progress	88,839	107,049
	<u>339,441</u>	<u>320,481</u>
Finished goods and goods for resale	306,630	251,575
	<u>646,071</u>	<u>572,056</u>
11. Debtors	2001 £	2000 £
Trade debtors	660,496	599,781
Other debtors	-	1,142
Prepayments and accrued income	43,274	16,992
	<u>703,770</u>	<u>617,915</u>

Failsworth Hats Limited

**Notes to the Abbreviated Accounts
for the year ended 31 December 2001**

..... continued

12. Creditors: amounts falling due within one year	2001 £	2000 £
Bank overdraft	-	129,291
Bank loan	20,437	20,437
Net obligations under finance leases and hire purchase contracts	13,647	13,145
Trade creditors	261,049	192,622
RBS invoice discounting	310,879	-
Other taxes and social security costs	114,893	94,256
Other creditors	947	26,794
Accruals and deferred income	159,379	158,919
	<u>881,231</u>	<u>635,464</u>

The bank loan and overdraft are secured by a first legal mortgage over the land and buildings, a fixed and floating charge over all current and future assets of the company, a guarantee given by the subsidiary company, Marida Hats Limited and legal mortgages over Nat West life assurance policies covering the life of the director, Mr P C Wilson. Hire purchase creditors are secured on the assets financed, details of which are shown in note 8. The RBS invoice discounting creditor is secured by a fixed and floating charge over current and future assets of the company

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

13. Creditors: amounts falling due after more than one year	2001	2000
	£	£
Bank loan	70,391	90,828
Amounts owed to related party	675,641	735,641
Net obligations under finance leases and hire purchase contracts	7,991	10,354
	<u>754,023</u>	<u>836,823</u>
Loans		
Repayable in one year or less, or on demand (Note 12)	20,437	20,437
Repayable between one and two years	20,437	20,437
Repayable between two and five years	49,954	61,312
Repayable in five years or more	-	9,079
	<u>90,828</u>	<u>111,265</u>
Repayable in five years or more:		
Bank loan	-	9,079
	<u>-</u>	<u>9,079</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	13,647	13,145
Repayable between one and five years	7,991	10,354
	<u>21,638</u>	<u>23,499</u>
14. Share capital	2001	2000
	£	£
Authorised equity		
36,750 Ordinary shares of £1 each	<u>36,750</u>	<u>36,750</u>
Allotted, called up and fully paid equity		
25,125 Ordinary shares of £1 each	<u>25,125</u>	<u>25,125</u>

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

15. Reconciliation of movements in shareholders' funds

	2001	2000
	£	£
Profit for the year	93,961	41,311
Opening shareholders' funds	144,491	103,180
Closing shareholders funds	<u>238,452</u>	<u>144,491</u>

16. Financial commitments

During the next twelve months the company is committed to make payments under operating leases which are due to expire in the following periods:

	£
Within one year	3,525
Between one and five years	2,809

17. Contingent liabilities and post balance sheet events

The company has provided a guarantee in respect of a property lease held by its subsidiary, Marida Hats Limited. At 31 December 2001 the lease had an unexpired term of 4.5 years and an annual rental of £6,000.

On 5 July 2002, Marida Hats Limited entered into a creditors voluntary winding up. Failsworth Hats Limited had provided a guarantee in support of the overdraft of Marida Hats Limited. At 5 July 2002 the overdraft outstanding was £140,498. No provision has been made in these financial statements in respect of this contingent liability.

18. Transactions with directors

The bank loan and overdraft are secured by legal mortgages over Nat West life assurance policies covering the life of the director, Mr P C Wilson.

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

19. Ultimate controlling party

The ultimate controlling party is Failsworth Trust.

19.1. Pension scheme

The company operates a defined benefit pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The latest actuarial valuation at 31 December 1999 showed a fund surplus of £418,000 and the actuary has recommended an employer contribution holiday for the following three years. The directors have confirmed that there is still a significant surplus in the fund at 31st December 2001 and therefore that the contribution holiday still applies.

The directors do not consider it appropriate to provide the additional disclosures required by the provisions of Financial Reporting Standard 17 at this time, as they do not consider this additional information to have a material effect on the truth and fairness of the financial statements.

Failsworth Hats Limited

**Notes to the Abbreviated Accounts
for the year ended 31 December 2001**

..... continued

20. Gross Cash Flows

	2001	2000
	£	£
Returns on investments and servicing of finance		
Interest received	2	4
Interest paid	(26,500)	(18,856)
	<u>(26,498)</u>	<u>(18,852)</u>
Capital expenditure		
Payments to acquire intangible assets	-	(24,500)
Payments to acquire tangible assets	(35,799)	(47,130)
Receipts from sales of tangible assets	5,799	-
	<u>(30,000)</u>	<u>(71,630)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	(1)	-
Financing		
New long term loan	-	250,000
Repayment of long term loan	(60,000)	-
Repayment of long term bank loan	(20,437)	(18,735)
Capital element of hire purchase contracts	(20,187)	(18,465)
	<u>(100,624)</u>	<u>212,800</u>

Failsworth Hats Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2001

..... continued

21. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	1,220	112,154	113,374
Overdrafts	(129,291)	129,291	-
	<u>(128,071)</u>	<u>241,445</u>	<u>113,374</u>
Debt due within one year	(20,437)	-	(20,437)
Debt due after one year	(826,469)	80,437	(746,032)
Finance leases	(23,499)	1,861	(21,638)
	<u>(870,405)</u>	<u>82,298</u>	<u>(788,107)</u>
Net funds	<u><u>(998,476)</u></u>	<u><u>323,743</u></u>	<u><u>(674,733)</u></u>