

Registrar

Registration number 00079310

Failsworth Hats Limited

Abbreviated accounts

for the year ended 31 December 2002



Failsworth Hats Limited

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Failsworth Hats Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the accounts for the year ended 31 December 2002.

Principal activity

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

Business review

The liquidation of the subsidiary company, Marida Hats Limited, has resulted in an exceptional cost to the company, details of which are shown in note 2 to the accounts. The directors are confident that there will be significant improvements in turnover and profitability during 2003.

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	
	31/12/02	01/01/02
Mr P C Wilson	-	-
Mr P Lynch	-	-
Mr R Bettley	-	-

Mr A Dixon, a partner in the company's auditors, has a non-beneficial interest in 25,000 shares via his trusteeship of the ultimate controlling party, Failsworth Trust.

Charitable and Political Contributions

During the year the company contributed £405 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.

Failsworth Hats Limited

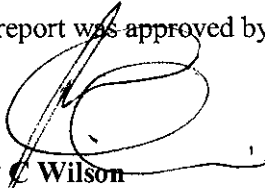
**Directors' report
for the year ended 31 December 2002**

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 22 May 2003 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'P C Wilson', written over a horizontal line.

Mr P C Wilson
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 20 together with the financial statements of Failsworth Hats Limited for the year ended 31 December 2002 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.

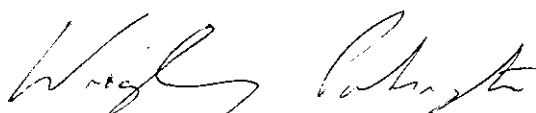
Basis of opinion

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 2002, and the abbreviated accounts on pages 4 to 20 are properly prepared in accordance with that provision.

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



22 May 2003

Failsworth Hats Limited

Abbreviated profit and loss account for the year ended 31 December 2002

Continuing operations

		2002	2001
	Notes	£	£
Gross profit		1,183,349	1,277,791
Distribution costs		(427,709)	(411,519)
Administrative expenses		(799,275)	(670,759)
Exceptional items	2	(203,620)	(75,054)
Operating (loss)/profit	2	(247,255)	120,459
Interest receivable and similar income	3	1	2
Interest payable and similar charges	4	(36,718)	(26,500)
(Loss)/profit on ordinary activities before taxation		(283,972)	93,961
Tax on (loss)/profit on ordinary activities	6	76,000	-
(Loss)/retained profit for the year		(207,972)	93,961
Retained profit brought forward		213,327	119,366
Retained profit carried forward		5,355	213,327

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

The notes on pages 7 to 20 form an integral part of these financial statements.

Failsworth Hats Limited

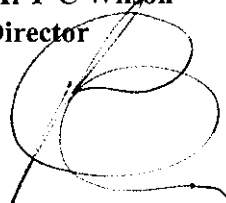
**Abbreviated balance sheet
as at 31 December 2002**

		2002		2001	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7		17,150		19,600
Tangible assets	8		413,509		390,891
			<u>430,659</u>		<u>410,491</u>
Current assets					
Stocks	10	975,226		646,071	
Debtors	11	642,660		703,770	
Cash at bank and in hand		2,297		113,374	
		<u>1,620,183</u>		<u>1,463,215</u>	
Creditors: amounts falling due within one year	12	<u>(1,181,209)</u>		<u>(881,231)</u>	
Net current assets			<u>438,974</u>		<u>581,984</u>
Total assets less current liabilities			869,633		992,475
Creditors: amounts falling due after more than one year	13		<u>(839,153)</u>		<u>(754,023)</u>
Net assets			<u>30,480</u>		<u>238,452</u>
Capital and reserves					
Called up share capital	15		25,125		25,125
Profit and loss account			5,355		213,327
Equity shareholders' funds	16		<u>30,480</u>		<u>238,452</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 22 May 2003 and signed on its behalf by

Mr P C Wilson
Director



The notes on pages 7 to 20 form an integral part of these financial statements.

Failsworth Hats Limited

Cash flow statement for the year ended 31 December 2002

	Notes	2002 £	2001 £
Reconciliation of operating (loss)/profit to net cash outflow from operating activities			
Operating (loss)/profit		(247,255)	120,459
Depreciation		50,034	36,296
(Increase) in stocks		(329,155)	(74,015)
Decrease in debtors		137,110	(85,854)
Increase in creditors		105,211	399,056
Net cash outflow from operating activities		<u>(284,055)</u>	<u>395,942</u>
Cash flow statement			
Net cash outflow from operating activities		(284,055)	395,942
Returns on investments and servicing of finance	22	(36,717)	(26,498)
Capital expenditure	22	(45,069)	(30,000)
Acquisitions and disposals	22	-	(1)
		<u>(365,841)</u>	<u>339,443</u>
Financing	22	62,550	(97,998)
Increase in cash in the year		<u>(303,291)</u>	<u>241,445</u>
Reconciliation of net cash flow to movement in net debt (Note 23)			
Increase in cash in the year		(303,291)	241,445
Cash inflow from decrease in debts and lease financing		(62,550)	97,998
Change in net debt resulting from cash flows		(365,841)	339,443
New finance leases and hire purchase contracts		(25,133)	(15,700)
Movement in net debt in the year		<u>(390,974)</u>	<u>323,743</u>
Net debt at 1 January 2002		<u>(674,733)</u>	<u>(998,476)</u>
Net debt at 31 December 2002		<u>(1,065,707)</u>	<u>(674,733)</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

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
Leasehold properties	-	Straight line over the life of the lease
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 the shorter of the lease term and 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. Investments

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

1.7. Stock and work in progress

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

1.8. 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.

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

1.9. 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.

1.10. Group 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.

1.11. 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.

2. Operating (loss)/profit

	2002 £	2001 £
Operating (loss)/profit is stated after charging:		
Amortisation of intangible assets	2,450	-
Depreciation of tangible assets	40,447	35,367
Loss on disposal of tangible fixed assets	7,137	929
Loss on foreign currencies	1,169	2,036
Operating lease rentals		
- Plant and machinery	5,392	4,606
Auditors' remuneration	16,675	14,400
Exceptional items	203,620	75,054

The exceptional items charged to the profit and loss account resulted from the liquidation of the subsidiary company, Marida Hats Limited, and consisted of the following:

	2002 £	2001 £
Bad debt arising on closure of subsidiary undertaking	103,620	75,053
Permanent diminution in value of fixed asset investment	-	1
Creditor arising from guarantee of subsidiary's bank overdraft	100,000	-
	203,620	75,054

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

3. Interest receivable and similar income	2002	2001
	£	£
Bank interest	<u>1</u>	<u>2</u>
4. Interest payable and similar charges	2002	2001
	£	£
On bank loans and overdrafts	5,800	11,392
Hire purchase interest	3,032	2,626
Factoring interest	27,816	12,482
On overdue tax	70	-
	<u>36,718</u>	<u>26,500</u>
5. Employees		
Number of employees		
The average monthly numbers of employees (including the directors) during the year were:	2002	2001
Production	94	89
Selling and distribution	8	7
Administration	10	7
	<u>112</u>	<u>103</u>
Employment costs	2002	2001
	£	£
Wages and salaries	1,404,525	1,258,590
Social security costs	107,641	96,328
Other pension costs	1,613	-
	<u>1,513,779</u>	<u>1,354,918</u>

Failsworth Hats Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

5.1. Directors' emoluments

	2002	2001
	£	£
Remuneration and other emoluments	<u>133,727</u>	<u>122,058</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a defined benefit scheme	<u>3</u>	<u>3</u>

6. Tax on (loss)/profit on ordinary activities

Analysis of charge in period

	2002	2001
	£	£
Current tax		
UK corporation tax at 19.00% (2001 - 19.00%)	<u>-</u>	<u>-</u>
Total current tax charge	<u>-</u>	<u>-</u>
Deferred tax		
Timing differences, origination and reversal	<u>(76,000)</u>	<u>-</u>
Total deferred tax	<u>(76,000)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(76,000)</u>	<u>-</u>

Factors affecting tax charge for period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (19 per cent) for the reasons shown below:

	2002	2001
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(283,972)</u>	<u>93,961</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 December 2001 : 19%)	<u>(53,955)</u>	<u>17,853</u>
Expenses not deductible for tax purposes	37,481	14,771
Depreciation for period in excess of capital allowances	1,661	(695)
Utilisation of tax losses	<u>14,813</u>	<u>(31,929)</u>
Current tax charge for period	<u>-</u>	<u>-</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

7. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 January 2002	24,500	24,500
At 31 December 2002	<u>24,500</u>	<u>24,500</u>
Provision for diminution in value		
At 1 January 2002	4,900	4,900
Charge for year	2,450	2,450
At 31 December 2002	<u>7,350</u>	<u>7,350</u>
Net book values		
At 31 December 2002	<u>17,150</u>	<u>17,150</u>
At 1 January 2002	<u>19,600</u>	<u>19,600</u>

8. Tangible fixed assets

	Land and buildings freehold £	Short leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 January 2002	274,344	-	479,066	65,825	819,235
Additions	-	17,231	24,303	39,868	81,402
Disposals	-	-	-	(20,837)	(20,837)
At 31 December 2002	<u>274,344</u>	<u>17,231</u>	<u>503,369</u>	<u>84,856</u>	<u>879,800</u>
Depreciation					
At 1 January 2002	16,460	-	386,915	24,969	428,344
On disposals	-	-	-	(2,500)	(2,500)
Charge for the year	5,487	1,895	17,468	15,597	40,447
At 31 December 2002	<u>21,947</u>	<u>1,895</u>	<u>404,383</u>	<u>38,066</u>	<u>466,291</u>
Net book values					
At 31 December 2002	<u>252,397</u>	<u>15,336</u>	<u>98,986</u>	<u>46,790</u>	<u>413,509</u>
At 1 January 2002	<u>257,884</u>	<u>-</u>	<u>92,151</u>	<u>40,856</u>	<u>390,891</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

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

Asset description	2002		2001	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Plant and machinery	-	-	4,208	742
Motor vehicles	36,820	12,274	28,875	9,625
	<u>36,820</u>	<u>12,274</u>	<u>33,083</u>	<u>10,367</u>

9. Fixed asset investments

	Subsidiary undertakings shares £	Total £
Cost		
At 1 January 2002 and At 31 December 2002	<u>1</u>	<u>1</u>
Provisions for diminution in value:		
At 1 January 2002 and At 31 December 2002	<u>1</u>	<u>1</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

9.1. Holdings of 20% or more

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

Company	Country of registration or incorporation	Nature of business	Shares held class	Proportion of shares held
Subsidiary undertaking				
Marida Hats Limited	United Kingdom	Manufacture of headware	Ordinary	100%

The aggregate amount of capital and reserves and the results of that company for the period ended 31 December 2001 are shown below. No further accounts have been prepared as Marida Hats Limited went into a creditors voluntary liquidation in July 2002.

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

10. Stocks	2002	2001
	£	£
Raw materials and consumables	390,247	250,602
Work in progress	241,981	88,839
	<u>632,228</u>	<u>339,441</u>
Finished goods and goods for resale	342,998	306,630
	<u>975,226</u>	<u>646,071</u>

11. Debtors	2002	2001
	£	£
Trade debtors	537,762	660,496
Deferred tax asset (note 14)	76,000	-
Prepayments and accrued income	28,898	43,274
	<u>642,660</u>	<u>703,770</u>

The deferred tax asset shown above is recoverable after more than one year.

Failsworth Hats Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

12. Creditors: amounts falling due within one year	2002 £	2001 £
Bank overdraft	92,214	-
Bank loan	20,437	20,437
Other bank creditor (Note 2)	100,000	-
Net obligations under finance leases and hire purchase contracts	16,200	13,647
Trade creditors	379,574	261,049
RBS invoice discounting	307,831	310,879
Other taxes and social security costs	106,322	114,893
Other creditors	845	947
Accruals and deferred income	157,786	159,379
	<u>1,181,209</u>	<u>881,231</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 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 financial statements
for the year ended 31 December 2002**

..... continued

13. Creditors: amounts falling due after more than one year	2002	2001
	£	£
Bank loan	51,155	70,391
Amount owed to related party	775,641	675,641
Net obligations under finance leases and hire purchase contracts	12,357	7,991
	<u>839,153</u>	<u>754,023</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	30,718	49,954
	<u>71,592</u>	<u>90,828</u>
 Net obligations under finance leases and hire purchase contracts		
Repayable within one year	16,200	13,647
Repayable between one and five years	12,357	7,991
	<u>28,557</u>	<u>21,638</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

14. Provision for deferred taxation

	2002	2001
	£	£
Accelerated capital allowances	(7,170)	-
Tax losses carried forward	83,170	-
Undiscounted provision for deferred tax asset (note 11)	<u>76,000</u>	<u>-</u>

Provision has been made for the deferred tax asset shown above on the basis that a significant improvement in profitability is anticipated by the directors over the forthcoming years. This improvement is expected to be generated by an increase in turnover, together with the absence of the exceptional costs incurred during 2002 (see note 2).

In addition to the provision shown above, there is a further deferred tax asset of £76927 (2001: £143,848) which has not been provided for. This relates to tax losses which may take some time to relieve and therefore the recoverability of the resulting deferred tax asset is relatively uncertain.

15. Share capital

	2002	2001
	£	£
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>

16. Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
(Loss)/profit for the year	(207,972)	93,961
Opening shareholders' funds	238,452	144,491
Closing shareholders' funds	<u>30,480</u>	<u>238,452</u>

Failsworth Hats Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

17. 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:

	2002	2001
	£	£
Within one year	3,525	3,525
Within one to five years	4,371	2,809
After more than five years	22,000	-

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

18. Pension scheme

The company operates a UK based defined benefit pension scheme, providing benefits at retirement and on death in service. The most recent full actuarial valuation was carried out at 31 December 1999 and updated to 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

Rate of increase in salaries	4.2%
Rate of increase in pensions in payment	2.2%
Discount rate	5.4%
Inflation assumption	2.2%
Deferred pension revaluation	2.2%

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31/12/02	Value at 31/12/02 £
Equities	8.0%	836,000
Bonds	4.7%	141,000
Other	5.4%	81,000
Total market value of assets		1,058,000
Present value of scheme liabilities		(628,000)
Surplus in the scheme		430,000
Related deferred tax liability		(81,700)
Net pension asset		348,300

As noted in last years accounts, the pension scheme disclosures required by Financial Reporting Standard number 17 had not been disclosed in those accounts and therefore, comparative figures are not available in respect of the amounts shown above. For the same reason, the figures required to show the movement in the surplus during the year and the history of experience gains and losses are also not available. However, the actuarial valuation at 31 December 1999 showed a fund surplus at that date of £418,000 and we are therefore able to report an overall increase in the pension fund surplus over the three years ended 31 December 2002 of £12,000

Failsworth Hats Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

19. 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.

20. Related party transactions

During the year the company received interest free loans amounting to a total of £100,000 from its ultimate controlling party, Failsworth Trust. The balance outstanding on the loan at 31st December 2002 was £775,641 (2001: £675,641).

Also during the year the company made sales to and purchases from its subsidiary company, Marida Hats Limited, of £7,949 (2001: £13,783) and £58,802 (2001: £34,026) respectively.

21. Ultimate controlling party

The ultimate controlling party is Failsworth Trust.

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

22. Gross cash flows

	2002	2001
	£	£
Returns on investments and servicing of finance		
Interest received	1	2
Interest paid	(36,718)	(26,500)
	<u>(36,717)</u>	<u>(26,498)</u>
Capital expenditure		
Payments to acquire tangible assets	(56,269)	(35,799)
Receipts from sales of tangible assets	11,200	5,799
	<u>(45,069)</u>	<u>(30,000)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	-	(1)
	<u>-</u>	<u>(1)</u>
Financing		
New long term loan	100,000	-
Repayment of long term loan	-	(60,000)
Repayment of long term bank loan	(19,236)	(20,437)
Capital element of finance leases and hire purchase contracts	(18,214)	(17,561)
	<u>62,550</u>	<u>(97,998)</u>

23. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	113,374	(111,077)		2,297
Overdrafts	-	(92,214)		(92,214)
	<u>113,374</u>	<u>(203,291)</u>		<u>(89,917)</u>
Debt due within one year	(20,437)	(100,000)	-	(120,437)
Debt due after one year	(746,032)	(80,764)	-	(826,796)
Finance leases and hire purchase contracts	(21,638)	18,214	(25,133)	(28,557)
	<u>(788,107)</u>	<u>(162,550)</u>	<u>(25,133)</u>	<u>(975,790)</u>
Net funds	<u>(674,733)</u>	<u>(365,841)</u>	<u>(25,133)</u>	<u>(1,065,707)</u>