

Re: 00079310

Registration number 00079310

Failsworth Hats Limited

Abbreviated accounts

for the year ended 31 December 2003



Failsworth Hats Limited

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Failsworth Hats Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the accounts for the year ended 31 December 2003.

Principal activity and review of the business

The principal activity of the company during the year was the manufacture and distribution of hats. The directors consider the results for the year to be satisfactory.

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	
	31/12/03	01/01/03
Mr P C Wilson	-	-
Mr P Lynch	-	-
Mr R Bettley	-	-

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

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 2003**

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 4th June 2004 and signed on its behalf by

Mr P C Wilson
Secretary

A handwritten signature in black ink, appearing to be 'P C Wilson', written over the printed name 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 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company's shareholders, as a body, 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

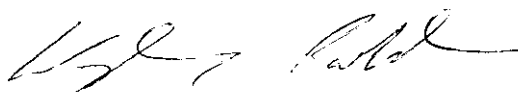
The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the 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 31 December 2003, and the abbreviated accounts on pages 4 to 19 are properly prepared in accordance with that provision.



**Wrigley Partington
Chartered Accountants and
Registered Auditor**

4th June 2004

**Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY**

Failsworth Hats Limited

Abbreviated profit and loss account for the year ended 31 December 2003

		Continuing operations	
		2003	2002
	Notes	£	£
Gross profit		1,481,699	1,183,349
Distribution costs		(515,574)	(427,709)
Administrative expenses		(882,103)	(799,275)
Exceptional administrative expenses		-	(203,620)
Operating profit/(loss)	2	<u>84,022</u>	<u>(247,255)</u>
Other interest receivable and similar income	3	-	1
Interest payable and similar charges	4	<u>(52,475)</u>	<u>(36,718)</u>
Profit/(loss) on ordinary activities before taxation		31,547	(283,972)
Tax on profit/(loss) on ordinary activities	6	-	76,000
Profit/(loss) on ordinary activities after taxation		<u>31,547</u>	<u>(207,972)</u>
Retained profit/(loss) for the year		<u>31,547</u>	<u>(207,972)</u>
Retained profit brought forward		5,355	213,327
Retained profit carried forward		<u><u>36,902</u></u>	<u><u>5,355</u></u>

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 19 form an integral part of these financial statements.

Failsworth Hats Limited

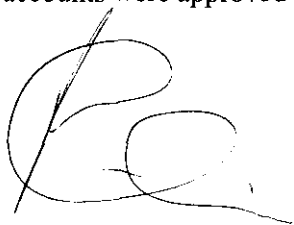
Abbreviated balance sheet as at 31 December 2003

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7		14,700		17,150
Tangible assets	8		400,323		413,509
			<u>415,023</u>		<u>430,659</u>
Current assets					
Stocks	9	959,420		975,226	
Debtors	10	622,207		642,660	
Cash at bank and in hand		24,162		2,297	
		<u>1,605,789</u>		<u>1,620,183</u>	
Creditors: amounts falling due within one year	11	(1,026,982)		(1,181,209)	
Net current assets			<u>578,807</u>		<u>438,974</u>
Total assets less current liabilities			993,830		869,633
Creditors: amounts falling due after more than one year	12		(931,803)		(839,153)
Net assets			<u>62,027</u>		<u>30,480</u>
Capital and reserves					
Called up share capital	13		25,125		25,125
Profit and loss account			36,902		5,355
Shareholders' funds	14		<u>62,027</u>		<u>30,480</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 4th June 2004 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 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit/(loss) to net cash inflow from operating activities			
Operating profit/(loss)		84,022	(247,255)
Depreciation		42,181	50,034
Decrease in stocks		15,806	(329,155)
Decrease in debtors		20,453	137,110
(Decrease) in creditors		(14,335)	105,211
Net cash inflow from operating activities		<u>148,127</u>	<u>(284,055)</u>
Cash flow statement			
Net cash inflow from operating activities		148,127	(284,055)
Returns on investments and servicing of finance	20	(52,475)	(36,717)
Capital expenditure	20	(12,045)	(45,069)
		<u>83,607</u>	<u>(365,841)</u>
Financing	20	93,337	62,550
Increase in cash in the year		<u>176,944</u>	<u>(303,291)</u>
Reconciliation of net cash flow to movement in net funds (Note 21)			
Increase in cash in the year		176,944	(303,291)
Cash inflow from decrease in debts and lease financing		(93,337)	(62,550)
Change in net funds resulting from cash flows		<u>83,607</u>	<u>(365,841)</u>
New finance leases and hire purchase contracts		(14,500)	(25,133)
Movement in net funds in the year		69,107	(390,974)
Net debt at 1 January 2003		(1,065,707)	(674,733)
Net debt at 31 December 2003		<u>(996,600)</u>	<u>(1,065,707)</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 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 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	-	Straight line over fifty years
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. Stock and work in progress

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

1.7. Pensions

The company operates a defined benefit 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 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 2003

..... continued

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, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

1.9. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

2. Operating profit/(loss)	2003	2002
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation and other amounts written off intangible assets	2,450	2,450
Depreciation and other amounts written off tangible assets	36,929	40,447
Loss on disposal of tangible fixed assets	2,802	7,137
Operating lease rentals		
- Plant and machinery	3,537	4,371
- Land and buildings	25,525	25,525
Auditors' remuneration	13,350	16,675
Exceptional items		
- Exceptional administrative expenditure	-	203,620
and after crediting:		
Profit on foreign currencies	(507)	-
3. Interest receivable and similar income	2003	2002
	£	£
Bank interest	-	1
4. Interest payable and similar charges	2003	2002
	£	£
On bank loans and overdrafts	10,565	5,800
Hire purchase interest	3,296	3,032
Factoring interest	38,614	27,816
On overdue tax	-	70
	<u>52,475</u>	<u>36,718</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

5. Employees

Number of employees	2003	2002
The average monthly numbers of employees (including the directors) during the year were:		
Production	96	94
Selling and distribution	12	8
Administration	12	10
	<u>120</u>	<u>112</u>

Employment costs	2003	2002
	£	£
Wages and salaries	1,685,878	1,498,328
Social security costs	17,759	13,838
Other pension costs	-	1,613
	<u>1,703,637</u>	<u>1,513,779</u>

5.1. Directors' emoluments

	2003	2002
	£	£
Remuneration and other emoluments	<u>135,394</u>	<u>133,727</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>3</u>	<u>3</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

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

Analysis of charge in period	2003 £	2002 £
Total current tax charge	-	-
Deferred tax		
Timing differences, origination and reversal	-	(76,000)
Total deferred tax	-	(76,000)
Tax on profit/(loss) on ordinary activities	-	(76,000)

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/(loss) on ordinary activities before taxation	31,547	(283,972)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 December 2002 : 19%)	5,994	(53,955)
Effects of:		
Expenses not deductible for tax purposes	9,860	46,987
Capital allowances for period	(7,796)	(7,845)
Utilisation of tax losses	(8,058)	14,813
Current tax charge for period	-	-

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

7. Intangible fixed assets

	Goodwill	Total
	£	£
Cost		
At 1 January 2003	24,500	24,500
At 31 December 2003	24,500	24,500
Provision for diminution in value		
At 1 January 2003	7,350	7,350
Charge for year	2,450	2,450
At 31 December 2003	9,800	9,800
Net book values		
At 31 December 2003	14,700	14,700
At 31 December 2002	17,150	17,150

8. Tangible fixed assets

	Land and buildings freehold	Short leasehold property	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2003	274,344	17,231	503,370	84,856	879,801
Additions	-	-	4,045	33,860	37,905
Disposals	-	-	-	(27,693)	(27,693)
At 31 December 2003	274,344	17,231	507,415	91,023	890,013
Depreciation					
At 1 January 2003	21,947	1,895	404,384	38,066	466,292
On disposals	-	-	-	(13,531)	(13,531)
Charge for the year	5,487	1,895	15,439	14,108	36,929
At 31 December 2003	27,434	3,790	419,823	38,643	489,690
Net book values					
At 31 December 2003	246,910	13,441	87,592	52,380	400,323
At 31 December 2002	252,397	15,336	98,986	46,790	413,509

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

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 £
Motor vehicles	<u>39,920</u>	<u>9,321</u>	<u>36,820</u>	<u>12,274</u>
9. Stocks			2003 £	2002 £
Raw materials and consumables			410,399	390,247
Work in progress			<u>97,817</u>	<u>241,981</u>
			508,216	632,228
Finished goods and goods for resale			<u>451,204</u>	<u>342,998</u>
			<u>959,420</u>	<u>975,226</u>
10. Debtors			2003 £	2002 £
Trade debtors			506,791	537,762
Deferred Tax			76,000	76,000
Prepayments and accrued income			<u>39,416</u>	<u>28,898</u>
			<u>622,207</u>	<u>642,660</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 2003**

..... continued

11. Creditors: amounts falling due within one year	2003 £	2002 £
Bank overdraft	37,135	92,214
Bank loan	37,981	20,437
Other bank creditor	-	100,000
Net obligations under finance leases and hire purchase contracts	13,843	16,200
Trade creditors	418,430	379,574
RBS invoice discounting	278,407	307,831
Other taxes and social security costs	101,833	106,322
Other creditors	1,060	845
Accruals and deferred income	138,293	157,786
	<u>1,026,982</u>	<u>1,181,209</u>

The bank loan and overdraft are secured by a debenture dated 6th March 2003 over the company's land and buildings. Hire purchase creditors are secured on the assets concerned. The RBS invoice discounting 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 2003**

..... continued

12. Creditors: amounts falling due after more than one year	2003	2002
	£	£
Bank loan	144,759	51,155
Amount owed to related party	775,641	775,641
Net obligations under finance leases and hire purchase contracts	11,403	12,357
	<u>931,803</u>	<u>839,153</u>
Loans		
Repayable in one year or less, or on demand (Note 11)	37,981	20,437
Repayable between one and two years	37,981	20,437
Repayable between two and five years	106,778	30,718
	<u>182,740</u>	<u>71,592</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	13,843	16,200
Repayable between one and five years	11,403	12,357
	<u>25,246</u>	<u>28,557</u>
13. Share capital	2003	2002
	£	£
Authorised		
36,750 Ordinary shares of £1 each	<u>36,750</u>	<u>36,750</u>
Allotted, called up and fully paid		
25,125 Ordinary shares of £1 each	<u>25,125</u>	<u>25,125</u>
14. Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit/(loss) for the year	31,547	(207,972)
Opening shareholders' funds	<u>30,480</u>	<u>238,452</u>
Closing shareholders' funds	<u>62,027</u>	<u>30,480</u>

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

15. Pension costs

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

	2003	2002
Rate of increase in salaries	4.7%	4.2%
Rate of increase in pensions in payment	2.7%	2.2%
Deferred pension revaluation	2.7%	2.2%
Discount rate	5.6%	5.4%
Inflation assumption	2.7%	2.2%

15.1 The principal assets in the scheme were:

	Long-term rate of return expected at 31/12/03 %	Value at 31/12/03 £	Long-term rate of return expected at 31/12/02 %	Value at 31/12/02 £
Equities	8.1	1,030,000	8.0	836,000
Bonds	5.2	151,000	4.7	141,000
Other	5.2	58,000	5.4	81,000
Total market value of assets		1,239,000		1,058,000
Present value of scheme liabilities		(858,000)		(628,000)
Surplus in the scheme		381,000		430,000
Related deferred tax liability		(72,390)		(81,700)
Net pension assets		308,610		348,300

Failsworth Hats Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2003**

..... continued

15.2 Movements in surplus during the year

	Year ended 2003 £
Scheme surplus at beginning of the year	430,000
Movement in year:	
Current service cost	(66,000)
Contributions	13,000
Past service costs	-
Other finance income	44,000
Actuarial gain/(loss)	(40,000)
Scheme surplus at end of the year	<u>381,000</u>

15.3 History of experience gains and losses

	Year ended 2003
Difference between the expected and actual return on scheme assets:	
amount (£)	104,000
percentage of scheme assets	8%
Experience gains and losses on scheme liabilities:	
amount (£)	(62,000)
percentage of the present value of the scheme liabilities	(7)%

Failsworth Hats Limited

Notes to the abbreviated financial statements for the year ended 31 December 2003

..... continued

16. Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:-

	Land buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	3,525	3,525	1,965	-
Between one and five years	-	-	1,572	4,371
In over five years	22,000	22,000	-	-
	<u>25,525</u>	<u>25,525</u>	<u>3,537</u>	<u>4,371</u>

18. Related party transactions

The company has a loan from Failsworth Trust amounting to £775,641 which has no fixed repayment terms. The trustees will not call upon its repayment for a period of not less than 12 months.

19. 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 2003

..... continued

20. Gross cash flows

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	-	1
Interest paid	(52,475)	(36,718)
	<u>(52,475)</u>	<u>(36,717)</u>
Capital expenditure		
Payments to acquire tangible assets	(23,405)	(56,269)
Receipts from sales of tangible assets	11,360	11,200
	<u>(12,045)</u>	<u>(45,069)</u>
Financing		
Other new long term loans	200,000	100,000
Repayment of long term bank loan	(88,852)	(19,236)
Capital element of finance leases and hire purchase contracts	(17,811)	(18,214)
	<u>93,337</u>	<u>62,550</u>

21. Analysis of changes in net funds

	Opening balance £	Cash flows £	Other changes £	Closing balance £
Cash at bank and in hand	2,297	21,865		24,162
Overdrafts	(92,214)	55,079		(37,135)
	<u>(89,917)</u>	<u>76,944</u>		<u>(12,973)</u>
Debt due within one year	(120,437)	82,456	-	(37,981)
Debt due after one year	(826,796)	(93,604)	-	(920,400)
Finance leases and hire purchase contracts	(28,557)	17,811	(14,500)	(25,246)
	<u>(975,790)</u>	<u>6,663</u>	<u>(14,500)</u>	<u>(983,627)</u>
Net funds	<u>(1,065,707)</u>	<u>83,607</u>	<u>(14,500)</u>	<u>(996,600)</u>