

Registrar

Registration number 00079310

Failsworth Hats Limited
Directors' report and financial statements
for the year ended 31st December 2011

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Failsworth Hats Limited

Company information

Directors	Mr P Lynch Mr D A Puleikis
Secretary	Mr C Eccles
Company number	00079310
Registered office	Crown Street Failsworth Manchester M35 9BD
Auditors	Wrigley Partington Sterling House 501 Middleton Road Chadderton Oldham OL9 9LY
Business address	Crown Street Failsworth Manchester M35 9BD
Bankers	HSBC Bank PLC 109 Union Street Oldham OL1 1RT Ulster Bank Ireland Ltd Ulster Bank Group Centre Georges Quay Dublin 2

Failsworth Hats Limited

Contents

	Page
Directors' report	1 - 3
Auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 21

Failsworth Hats Limited

Directors' report for the year ended 31st December 2011

The directors present their report and the financial statements for the year ended 31st December 2011

Principal activity

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

Business review

Failsworth Hats manufactures and distributes hats and accessories under own brands for high street retailers both in the UK and Europe. The company also produces hats under its own brands of "Failsworth Hats" and "The Hat Studio" which are distributed amongst independent retailers. The company has seen significant year on year turnover growth of 10% for 2011 and 15% for 2010. Despite this, the current economic climate has put considerable challenges on both selling price and production costs and put margins under pressure although it still remains strong at 31%. We continually review the supply chain in an effort to improve margins on an on-going basis. The company made a net profit for the year before taxation of £399, which the directors consider to be satisfactory in the current climate. Net assets at 31 December 2011 remained similar to the previous year, at approximately £2.2m. The directors are confident that the business is well placed to perform in the future despite the tough economic climate, this to be achieved by continual product development, establishing trade in new markets, cost management and investment in marketing and IT systems.

Results and dividends

The results for the year are set out on page 6

The directors have paid an interim dividend amounting to £10,000 and they do not recommend payment of a final dividend

Financial risk management objectives and policies

Currency Risk - The company sources the majority of its products from overseas suppliers. As a result it is exposed to foreign exchange transactional risk predominantly in US Dollars. The business also trades with a number of customers in US Dollars, which reduces the risk in this area. The company is currently in the process of arranging suitable forward currency contracts facilities with the company's bankers to substantially mitigate this risk. **Liquidity** - The company manages its cashflow carefully to ensure adequate funds are available to meet its liabilities as they fall due. **Credit risk** - The company considers its main credit risk to be associated with trade debtors. Trade debtors are constantly reviewed to ensure credit limits are adhered to, accounts do not fall overdue and credit checks are regularly monitored. The company has a broad customer base over which the risk is spread and not significant exposure to any one customer.

Future developments

Despite the difficult challenging market conditions the company is well placed to continue to build on its existing customer relationships. Particular focus is being given to seeking and establishing sales in emerging markets. The business continues to develop its product base and continues to invest in designing and developing new products to supply to both existing and new customers.

Failsworth Hats Limited
Directors' report
for the year ended 31st December 2011

continued

Directors

The directors who served during the year are as stated below

Mr P Lynch

Mr P C Wilson Resigned 30 09 12

Mr D A Puleikis

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Wrigley Partington are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006

Failsworth Hats Limited

**Directors' report
for the year ended 31st December 2011**

continued

This report was approved by the Board on 7th November 2012 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'P Lynch', is written above the printed name.

**Mr P Lynch
Director**

**Independent auditor's report to the shareholders of
Failsworth Hats Limited**

We have audited the financial statements of Failsworth Hats Limited for the year ended 31st December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006.

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the shareholders of
Failsworth Hats Limited**

continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Richard Dixon (senior statutory auditor)
For and on behalf of Wrigley Partington
Chartered Accountants and
Statutory Auditor
Date: 7th November 2012**

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

Failsworth Hats Limited

Profit and loss account for the year ended 31st December 2011

		Continuing operations	
		2011	2010
	Notes	£	£
Turnover	2	7,355,226	6,654,811
Cost of sales		(5,051,792)	(4,281,342)
Gross profit		2,303,434	2,373,469
Distribution costs		(1,316,478)	(951,727)
Administrative expenses		(986,883)	(1,174,532)
Operating profit	3	73	247,210
Investment income	5	55,456	14,883
Interest payable and similar charges	6	(55,130)	(44,097)
Profit on ordinary activities before taxation		399	217,996
Tax on profit on ordinary activities	9	1,265	107,699
Profit for the year	20	1,664	325,695

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

The notes on pages 9 to 21 form an integral part of these financial statements.

Failsworth Hats Limited

Balance sheet as at 31st December 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible assets	11	3,417	4,417
Tangible assets	12	339,192	334,627
Investments	13	583	-
		<u>343,192</u>	<u>339,044</u>
Current assets			
Stocks	14	1,441,772	982,924
Debtors	15	1,959,646	1,256,379
Investments	16	-	177,973
Cash at bank and in hand		119,992	199,151
		<u>3,521,410</u>	<u>2,616,427</u>
Creditors: amounts falling due within one year	17	<u>(1,683,437)</u>	<u>(777,537)</u>
Net current assets		<u>1,837,973</u>	<u>1,838,890</u>
Total assets less current liabilities		2,181,165	2,177,934
Creditors: amounts falling due after more than one year	18	<u>(12,917)</u>	<u>(1,350)</u>
Net assets		<u>2,168,248</u>	<u>2,176,584</u>
Capital and reserves			
Called up share capital	19	25,125	25,125
Profit and loss account	20	2,143,123	2,151,459
Shareholders' funds	21	<u>2,168,248</u>	<u>2,176,584</u>

The financial statements were approved by the Board on 7th November 2012 and signed on its behalf by


Mr P Lynch
Director

Registration number 00079310

The notes on pages 9 to 21 form an integral part of these financial statements.

Failsworth Hats Limited

Cash flow statement for the year ended 31st December 2011

	Notes	2011 £	2010 £
Reconciliation of operating profit to net cash outflow from operating activities			
Operating profit		73	247,210
Depreciation		69,356	54,652
(Increase) in stocks		(458,848)	(41,141)
(Increase) in debtors		(699,097)	157,292
Increase in creditors		774,118	(220,388)
Net cash outflow from operating activities		<u>(314,398)</u>	<u>197,625</u>
Cash flow statement			
Net cash outflow from operating activities		(314,398)	197,625
Returns on investments and servicing of finance	25	(49,524)	(37,843)
Capital expenditure	25	(35,921)	(34,490)
Acquisitions and disposals	25	(583)	-
		(400,426)	125,292
Equity dividends paid		(10,000)	(15,000)
		(410,426)	110,292
Management of liquid resources	25	227,823	679
Financing	25	(14,481)	(5,398)
Decrease in cash in the year		<u>(197,084)</u>	<u>105,573</u>
Reconciliation of net cash flow to movement in net debt (Note 26)			
Decrease in cash in the year		(197,084)	105,573
Cash outflow from decrease in debts and lease financing		14,481	5,398
Cash inflow from decrease in liquid resources		(227,823)	(679)
Change in net debt resulting from cash flows		(410,426)	110,292
Profit on disposal of current asset investments		49,850	8,629
New finance leases and hire purchase contracts		(37,000)	-
Movement in net debt in the year		(397,576)	118,921
Net funds at 1st January 2011		370,376	251,455
Net debt at 31st December 2011		<u>(27,200)</u>	<u>370,376</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board

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

Long leasehold property	-	Straight line over fifty years
Long leasehold improvements	-	25% Straight line
Short leasehold property	-	Straight line over the life of the lease
Plant and machinery	-	15% Straight line
Office equipment	-	25% Straight Line
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 permanent diminution in value

Current asset investments are stated at the lower of cost and net realisable 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. Pensions

The pension cost charged in the financial statements represents the contributions payable by the company for the year

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

continued

1.9. 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

1.10. 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

1.11. Group accounts

The company is entitled to the exemption under Section 398 of the Companies Act 2006 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. Turnover

	2011	2010
Geographical market		
UK	6,726,648	5,927,889
Europe	464,933	463,999
Rest of the World	163,645	262,923
	<u>7,355,226</u>	<u>6,654,811</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

. continued

3. Operating profit	2011	2010
	£	£
Operating profit is stated after charging		
Depreciation and other amounts written off intangible assets	1,000	1,000
Depreciation		
- written off owned tangible fixed assets	55,575	50,118
- written off tangible fixed assets on HP/Finance lease	11,554	3,601
Loss on disposal of tangible fixed assets	1,227	-
Operating lease rentals		
- Land and buildings	69,786	65,976
- Office equipment	5,962	6,282
Auditors' remuneration (Note 4)	9,750	10,500
Auditors' remuneration from non-audit work (Note 4)	1,400	2,550
	<u> </u>	<u> </u>
and after crediting		
Profit on disposal of tangible fixed assets	-	67
Net foreign exchange gain	20,531	(3,157)
	<u> </u>	<u> </u>
 4. Auditors' remuneration	 2011	 2010
	£	£
Auditors' remuneration - audit of the financial statements	9,750	10,500
	<u> </u>	<u> </u>
Auditors' remuneration - other fees		
- Payroll and other services	1,400	2,550
	<u> </u>	<u> </u>
 5. Income from investments	 2011	 2010
	£	£
Income from investments	5,606	6,254
Profit on disposal of investments	49,850	8,629
	<u> </u>	<u> </u>
	55,456	14,883
	<u> </u>	<u> </u>

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2011**

continued

6. Interest payable and similar charges	2011	2010
	£	£
On bank loans and overdrafts	941	42
Hire purchase interest	3,669	3,234
Invoice discounting charges	50,520	40,821
	<u>55,130</u>	<u>44,097</u>
7. Employees		
Number of employees	2011	2010
The average monthly numbers of employees (including the directors) during the year were		
Production	20	20
Selling and distribution	18	9
Administration	14	23
	<u>52</u>	<u>52</u>
Employment costs	2011	2010
	£	£
Wages and salaries	1,119,023	1,139,721
Social security costs	149,616	134,333
Pension costs-other operating charge	57,475	45,480
	<u>1,326,114</u>	<u>1,319,534</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

continued

7.1. Directors' remuneration

	2011	2010
	£	£
Remuneration and other emoluments	242,341	253,741
Pension contributions	41,660	30,554
	<u>284,001</u>	<u>284,295</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>3</u>	<u>3</u>
Highest paid director	£	£
Amounts included above		
Emoluments and other benefits	92,651	93,851
Pension contributions	9,903	6,909
	<u>102,554</u>	<u>100,760</u>

8. Pension costs

The company operates a defined contribution benefit scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company.

	2011	2010
	£	£
Analysis of the amount charged to operating profit		
Current service cost	57,475	45,480
	<u>57,475</u>	<u>45,480</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

continued

9. Tax on profit on ordinary activities

Analysis of charge in period	2011 £	2010 £
Current tax		
UK corporation tax at 20.00% (2010 - 21.00%)	2,905	-
Total current tax charge	<u>2,905</u>	<u>-</u>
Deferred tax		
Timing differences, origination and reversal	(4,170)	(107,699)
Total deferred tax	<u>(4,170)</u>	<u>(107,699)</u>
Tax on profit on ordinary activities	<u>(1,265)</u>	<u>(107,699)</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (27.50 per cent). The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>399</u>	<u>217,996</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.50% (31st December 2010 - 28.00%)	110	61,039
Effects of:		
Expenses not deductible for tax purposes	(10,967)	1,361
Depreciation for period in excess of capital allowances	9,178	5,540
Utilisation of tax losses	1,679	28,649
Capital gain on sale of investments	3,946	1,019
Marginal relief	(1,041)	-
Spread of excess pension contributions	-	(97,608)
Current tax charge for period	<u>2,905</u>	<u>-</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

continued

10. Dividends

Dividends paid and proposed on equity shares

	2011 £	2010 £
Paid during the year		
Equity dividends on Ordinary shares	10,000	15,000
	<u>10,000</u>	<u>15,000</u>

11. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1st January 2011	34,500	34,500
At 31st December 2011	<u>34,500</u>	<u>34,500</u>
Amortisation		
At 1st January 2011	30,083	30,083
Charge for year	1,000	1,000
At 31st December 2011	<u>31,083</u>	<u>31,083</u>
Net book values		
At 31st December 2011	<u>3,417</u>	<u>3,417</u>
At 31st December 2010	<u>4,417</u>	<u>4,417</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

continued

12. Tangible fixed assets	Long leasehold property £	Short leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1st January 2011	329,185	18,929	571,139	99,185	1,018,438
Additions	6,735	-	19,891	49,995	76,621
Reallocation	13,653		(13,653)		-
Disposals	-	-	(6,850)	(18,130)	(24,980)
At 31st December 2011	<u>349,573</u>	<u>18,929</u>	<u>570,527</u>	<u>131,050</u>	<u>1,070,079</u>
Depreciation					
At 1st January 2011	93,928	17,261	511,455	61,167	683,811
Reallocation	3,698		(3,698)		-
On disposals	-	-	(5,956)	(14,097)	(20,053)
Charge for the year	18,590	1,668	29,522	17,349	67,129
At 31st December 2011	<u>116,216</u>	<u>18,929</u>	<u>531,323</u>	<u>64,419</u>	<u>730,887</u>
Net book values					
At 31st December 2011	<u>233,357</u>	<u>-</u>	<u>39,204</u>	<u>66,631</u>	<u>339,192</u>
At 31st December 2010	<u>235,257</u>	<u>1,668</u>	<u>59,684</u>	<u>38,018</u>	<u>334,627</u>

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

Asset description	2011		2010	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor vehicles	<u>49,245</u>	<u>11,554</u>	<u>10,803</u>	<u>3,601</u>

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2011**

continued

13. Fixed asset investments	Subsidiary undertakings	Total
	shares £	£
Cost		
Additions	583	583
At 31st December 2011	<u>583</u>	<u>583</u>
Net book values		
At 31st December 2011	<u>583</u>	<u>583</u>

13.1. 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	Nature of business	Shares held class	Proportion of shares held
Subsidiary undertaking				
Failsworth Global Accessories (Hong Kong) Limited	Hong Kong	Manufacture of hats and accessories	Ordinary	70%

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
	£	£
Failsworth Global Accessories (Hong Kong) Limited	(124,682)	(125,515)
	-	-

14. Stocks	2011	2010
	£	£
Raw materials and consumables	704,271	493,159
Work in progress	2,850	6,421
	<u>707,121</u>	<u>499,580</u>
Finished goods and goods for resale	734,651	483,344
	<u>1,441,772</u>	<u>982,924</u>

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2011**

continued

15. Debtors	2011	2010
	£	£
Trade debtors	1,552,742	992,642
Amount owed by group company	104,797	-
Other debtors	73,502	41,518
Prepayments	65,502	63,286
Deferred tax	163,103	158,933
	<u>1,959,646</u>	<u>1,256,379</u>
Amounts falling due after more than one year and included in debtors are		
Deferred tax	<u>163,103</u>	<u>158,933</u>
16. Current asset investments	2011	2010
	£	£
Listed investments	-	177,973
Market valuation of listed investments	-	260,484
17. Creditors: amounts falling due within one year	2011	2010
	£	£
Bank overdraft (secured)	117,925	-
Net obligations under finance leases and hire purchase contracts (secured)	16,350	5,398
Trade creditors	396,936	179,240
Invoice discounting (secured)	858,277	388,267
Corporation tax	2,905	-
Other taxes and social security costs	119,938	72,396
Other creditors	13,701	6,529
Accruals and deferred income	157,405	125,707
	<u>1,683,437</u>	<u>777,537</u>

Hire purchase creditors are secured on the assets financed, details of which are shown in note 12 to the financial statements. The bank overdraft and invoice discounting creditors are secured by fixed and floating charges over current and future assets of the company.

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2011**

continued

18. Creditors: amounts falling due after more than one year	2011 £	2010 £
Net obligations under finance leases and hire purchase contracts	<u>12,917</u>	<u>1,350</u>
Hire purchase creditors are secured on the assets concerned		
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	16,350	5,398
Repayable between one and five years	<u>12,917</u>	<u>1,350</u>
	<u>29,267</u>	<u>6,748</u>
19. Share capital	2011 £	2010 £
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>
Equity Shares		
25,125 Ordinary shares of £1 each	<u>25,125</u>	<u>25,125</u>
20. Equity Reserves	Profit and loss account £	Total £
At 1st January 2011	2,151,459	2,151,459
Profit for the year	1,664	1,664
Equity Dividends	<u>(10,000)</u>	<u>(10,000)</u>
At 31st December 2011	<u>2,143,123</u>	<u>2,143,123</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2011

continued

21. Reconciliation of movements in shareholders' funds	2011 £	2010 £
Profit for the year	1,664	325,695
Dividends	(10,000)	(15,000)
	(8,336)	310,695
Opening shareholders' funds	2,176,584	1,865,889
Closing shareholders' funds	<u>2,168,248</u>	<u>2,176,584</u>

22. Financial commitments

At 31st December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other
	2011 £	2010 £	2011 £
Expiry date:			2010 £
Within one year	-	-	1,320
Between one and five years	35,161	56,161	15,182
In over five years	34,000	-	-
	<u>69,161</u>	<u>56,161</u>	<u>16,502</u>
			<u>12,605</u>

23. Related party transactions

Debtors include an outstanding balance on a loan account with Failsworth Trust, the controlling party, amounting to £58,714 (2010 £28,165) Debtors also include an outstanding balance in respect of loans made to Failsworth Global Accessories (Hong Kong) Limited, a subsidiary company, amounting to a total of £104,797 (2010 Nil)

24. Controlling interest

The company is controlled by Failsworth Trust

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2011**

continued

25. Gross cash flows

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest paid	(55,130)	(44,097)
Dividends received	5,606	6,254
	<u>(49,524)</u>	<u>(37,843)</u>
Capital expenditure		
Payments to acquire tangible assets	(39,621)	(37,090)
Receipts from sales of tangible assets	3,700	2,600
	<u>(35,921)</u>	<u>(34,490)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	(583)	-
	<u>(583)</u>	<u>-</u>
Management of Liquid Resources		
Receipts from sales of short term investments	253,105	22,876
Payments to acquire short term investments	(25,282)	(22,197)
	<u>227,823</u>	<u>679</u>
Financing		
Capital element of finance leases and hire purchase contracts	(14,481)	(5,398)
	<u>(14,481)</u>	<u>(5,398)</u>

26. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	199,151	(79,159)		119,992
Overdrafts	-	(117,925)		(117,925)
	<u>199,151</u>	<u>(197,084)</u>		<u>2,067</u>
Liquid resources	177,973	(227,823)	49,850	-
Finance leases and hire purchase contracts	(6,748)	14,481	(37,000)	(29,267)
Net funds	<u>370,376</u>	<u>(410,426)</u>	<u>12,850</u>	<u>(27,200)</u>

Failsworth Hats Limited

Detailed trading profit and loss account for the year ended 31st December 2011

	2011		2010	
	£	£	£	£
Sales				
Sales - UK		6,726,648		5,927,889
Sales - Europe		464,933		463,999
Sales - Rest of World		163,645		262,923
		<u>7,355,226</u>		<u>6,654,811</u>
Cost of sales				
Opening stock and work in progress	982,924		941,783	
Purchases	5,344,532		4,165,056	
Production wages and salaries	166,108		157,427	
	<u>6,493,564</u>		<u>5,264,266</u>	
Closing stock and work in progress	(1,441,772)		(982,924)	
		<u>(5,051,792)</u>		<u>(4,281,342)</u>
Gross profit	31%	2,303,434	36%	2,373,469
Distribution costs	1,316,478		951,727	
Administrative expenses	986,883		1,174,532	
		<u>(2,303,361)</u>		<u>(2,126,259)</u>
Operating profit	0%	73	4%	247,210
Other income and expenses				
Income from investments				
Listed investment income	5,606		6,254	
Profit on disposal of investments	49,850		8,629	
		<u>55,456</u>		<u>14,883</u>
Interest payable				
Bank interest	941		42	
Factoring interest	50,520		40,821	
HP interest and fin lease charges	3,669		3,234	
		<u>(55,130)</u>		<u>(44,097)</u>
Net profit for the year		<u>399</u>		<u>217,996</u>

Failsworth Hats Limited

Distribution costs and administrative expenses for the year ended 31st December 2011

	2011	2010
	£	£
Distribution costs		
Wages and salaries	718,921	425,132
Discounts allowed	100,067	101,809
Packings and postage	32,920	33,675
Commission payable	212,282	177,068
Carriage and haulage	103,794	88,762
Motor and travelling	148,494	125,281
	<u>1,316,478</u>	<u>951,727</u>
Administrative expenses		
Wages and salaries	159,040	431,898
Directors' remuneration	200,154	217,514
Directors' employers national insurance	24,416	25,800
Directors' pension costs	41,660	30,554
Staff pension costs	15,815	14,926
Redundancy costs	-	16,283
Rent payable	69,786	65,976
Rates	37,459	33,519
Insurance	23,000	23,921
Leasing of office equipment	5,962	6,282
Light heat and power	31,906	32,694
Repairs and renewals	36,527	21,895
Printing, stationery and computer costs	62,125	41,229
Advertising and trade fairs	58,211	29,514
Telephone and postage	39,438	24,342
Legal and professional	12,389	6,951
Consultancy fees	5,518	5,629
Audit	9,750	11,750
Bank charges	24,054	17,094
Bad debts	15,400	21,688
Profit/loss on exchange	(20,531)	3,157
General expenses	63,740	36,411
Subscriptions	1,708	853
Amortisation of intangible assets	1,000	1,000
Depreciation on freehold property	18,590	12,847
Amortisation on short leasehold	1,668	2,082
Depreciation on plant and machinery	29,522	25,949
Depreciation on motor vehicles	17,349	12,841
Loss on fixed asset disposal	1,227	(67)
	<u>986,883</u>	<u>1,174,532</u>