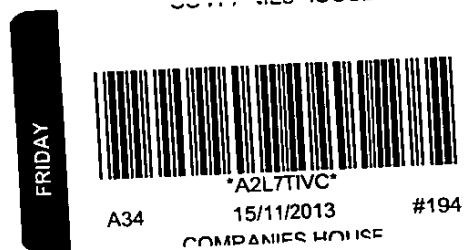


Registrar

Registration number 00079310

Failsworth Hats Limited
Directors' report and financial statements
for the year ended 31st December 2012



Failsworth Hats Limited

Company information

Directors	Mr P Lynch Mr D A Puleikis Mr J Settle	Appointed 19 08 13
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

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Failsworth Hats Limited
Directors' report
for the year ended 31st December 2012

The directors present their report and the financial statements for the year ended 31st December 2012

Principal activity and review of the business

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

Business review

Failsworth Hats designs, manufactures, sources 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 brand of "Failsworth Hats" which are distributed amongst independent retailers. The company faced a number of challenges during 2012 as a result of the difficult economic climate. Turnover reduced and margins came under increasing pressure. This position was anticipated by the directors and as a result a strategy was put in place to mitigate this risk. The difficult decision was made to consolidate the number of sites with the closure of both the Luton and London operations which unfortunately resulted in a number of redundancies. Despite the cost involved in closing the sites, these changes have significantly reduced the overhead cost base of the business, reducing its sensitivity to fluctuations in turnover and gross margin. The decision was also taken during the year to withdraw from its Hong Kong subsidiary. This would remove the cash investment required by the subsidiary and allow the directors to focus on the UK business. The sale of the company's shareholding in the subsidiary completed in May 2013. The business now operates from the Manchester office. With all functions now based at the same site continued cost savings have been achievable and improved synergies across business functions have been possible. The most significant benefit being that the business can operate on a reduced headcount. The company made a loss for the year of £1,160,135 before tax. Exceptional costs of £718,693 were incurred as a result of the business restructuring and write down of inter-company balances. The directors are confident that the business is well placed to perform in the future, despite the tough economic climate, through continual product development, cost management and investment in marketing and IT systems. The results for 2013 are very positive and an indication of the success of the business restructure and signs of an improving economy. Future business plans indicate strong sustainable profitable results. The business continues to receive strong support from its bankers.

Results and dividends

The results for the year are set out on page 6

The directors have paid an interim dividend amounting to £28,000 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 no significant exposure to any one customer exists.

Failsworth Hats Limited
Directors' report
for the year ended 31st December 2012

continued

Future developments

Following a period of significant restructure, the business will look to consolidate its position during the following year. Particular focus will be given to our design and sales function to seek and establish new product lines with both existing and new customers.

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 2012

continued

This report was approved by the Board on 14th November 2013 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'C Eceles', written over a horizontal line.

Mr C Eceles
Secretary

**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 2012 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 2012 and of its loss 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
14th November 2013**

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

Failsworth Hats Limited

**Profit and loss account
for the year ended 31st December 2012**

		Continuing operations	
		2012	2011
	Notes	£	£
Turnover	2	6,811,373	7,355,226
Cost of sales		(4,814,821)	(5,051,792)
Gross profit		<u>1,996,552</u>	<u>2,303,434</u>
Distribution costs		(1,233,345)	(1,316,478)
Administrative expenses		(1,133,098)	(986,883)
Exceptional administrative expenses		(718,693)	-
Operating (loss)/profit	3	<u>(1,088,584)</u>	<u>73</u>
Investment income	5	-	55,456
Interest payable and similar charges	6	<u>(71,551)</u>	<u>(55,130)</u>
(Loss)/profit on ordinary activities before taxation		<u>(1,160,135)</u>	<u>399</u>
Tax on (loss)/profit on ordinary activities	9	198,783	1,265
(Loss)/profit for the year	20	<u><u>(961,352)</u></u>	<u><u>1,664</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 9 to 23 form an integral part of these financial statements.

Failsworth Hats Limited

**Balance sheet
as at 31st December 2012**

		2012		2011	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		2,417		3,417
Tangible assets	12		257,854		339,192
Investments	13		583		583
			<u>260,854</u>		<u>343,192</u>
Current assets					
Stocks	14	944,158		1,441,772	
Debtors	15	1,616,129		1,959,646	
Cash at bank and in hand		152,144		119,992	
		<u>2,712,431</u>		<u>3,521,410</u>	
Creditors: amounts falling due within one year	16	(1,534,055)		(1,683,437)	
Net current assets			<u>1,178,376</u>		<u>1,837,973</u>
Total assets less current liabilities			1,439,230		2,181,165
Creditors: amounts falling due after more than one year	17		(584)		(12,917)
Provisions for liabilities	18		(259,750)		-
Net assets			<u>1,178,896</u>		<u>2,168,248</u>
Capital and reserves					
Called up share capital	19		25,125		25,125
Profit and loss account	20		1,153,771		2,143,123
Shareholders' funds	21		<u>1,178,896</u>		<u>2,168,248</u>

The financial statements were approved by the Board on 14th November 2013 and signed on its behalf by



Mr D A Puleikis
Director

Registration number 00079310

The notes on pages 9 to 23 form an integral part of these financial statements.

Failsworth Hats Limited

**Cash flow statement
for the year ended 31st December 2012**

	Notes	2012 £	2011 £
Reconciliation of operating (loss)/profit to net cash outflow from operating activities			
Operating (loss)/profit		(1,088,584)	73
Depreciation		69,218	69,356
Decrease in stocks		497,614	(458,848)
Decrease in debtors		542,300	(699,097)
(Decrease) in creditors		(60,005)	774,118
Increase in provisions		259,750	-
Net cash outflow from operating activities		<u>220,293</u>	<u>(314,398)</u>
Cash flow statement			
Net cash outflow from operating activities		220,293	(314,398)
Returns on investments and servicing of finance	25	(71,551)	(49,524)
Capital expenditure	25	13,120	(35,921)
Acquisitions and disposals	25	-	(583)
		161,862	(400,426)
Equity dividends paid		(28,000)	(10,000)
		133,862	(410,426)
Management of liquid resources	25	-	227,823
Financing	25	(21,683)	(14,481)
Decrease in cash in the year		<u>112,179</u>	<u>(197,084)</u>
Reconciliation of net cash flow to movement in net funds (Note 26)			
Decrease in cash in the year		112,179	(197,084)
Cash inflow from increase in debts and lease financing		21,683	14,481
Cash inflow from decrease in liquid resources		-	(227,823)
Change in net funds resulting from cash flows		133,862	(410,426)
Profit on disposal of current asset investments		-	49,850
New finance leases and hire purchase contracts		-	(37,000)
Movement in net funds in the year		133,862	(397,576)
Net debt at 1st January 2012		(27,200)	370,376
Net funds at 31st December 2012		<u>106,662</u>	<u>(27,200)</u>

Failsworth Hats Limited
Notes to the financial statements
for the year ended 31st December 2012

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% Straight line

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

1.7. Stock

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 2012

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

1.12. Going concern

As explained within the directors report, the business has been restructured to reduce high overhead and salary costs and has now returned to profitability. The company's bankers continue to be supportive of the business and have restructured elements of borrowing to accommodate business requirements. Business forecasts together with a strong order book look positive. As a result, the directors believe the business will continue as a going concern for the foreseeable future and the accounts have therefore been prepared on a going concern basis

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2012**

continued

2. Turnover

	2012	2011
Geographical market		
UK	5,929,548	6,726,648
Europe	363,577	464,933
Rest of the World	518,248	163,645
	<u>6,811,373</u>	<u>7,355,226</u>

3. Operating (loss)/profit

	2012	2011
	£	£
Operating (loss)/profit is stated after charging		
Depreciation and other amounts written off intangible assets	1,000	1,000
Depreciation		
- written off owned tangible fixed assets	42,891	55,575
- written off tangible fixed assets on HP/Finance lease	4,687	11,554
Loss on disposal of tangible fixed assets	20,640	1,227
Operating lease rentals		
- Land and buildings	70,514	69,786
- Office equipment	5,677	5,962
Auditors' remuneration (Note 4)	14,750	9,750
Auditors' remuneration from non-audit work (Note 4)	2,095	1,400
Exceptional items		
- Exceptional reorganisation costs	<u>718,693</u>	<u>-</u>
and after crediting		
Net foreign exchange gain	<u>(209)</u>	<u>20,531</u>

4. Auditors' remuneration

	2012	2011
	£	£
Auditors' remuneration - audit of the financial statements	<u>14,750</u>	<u>9,750</u>
Auditors' remuneration - other fees		
- Payroll and other services	<u>2,095</u>	<u>1,400</u>

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2012**

continued

5. Income from investments	2012	2011
	£	£
Income from investments	-	5,606
Profit on disposal of investments	-	49,850
	<u>-</u>	<u>55,456</u>
	<u><u>-</u></u>	<u><u>55,456</u></u>
6. Interest payable and similar charges	2012	2011
	£	£
On bank loans and overdrafts	5,939	941
Hire purchase interest	1,129	3,669
Invoice discounting charges	64,483	50,520
	<u>71,551</u>	<u>55,130</u>
	<u><u>71,551</u></u>	<u><u>55,130</u></u>
7. Employees		
Number of employees	2012	2011
The average monthly numbers of employees (including the directors) during the year were		
Production	21	20
Selling and distribution	18	18
Administration	15	14
	<u>54</u>	<u>52</u>
	<u><u>54</u></u>	<u><u>52</u></u>
Employment costs	2012	2011
	£	£
Wages and salaries	1,371,140	1,119,023
Social security costs	162,232	149,616
Pension costs-other operating charge	54,337	57,475
	<u>1,587,709</u>	<u>1,326,114</u>
	<u><u>1,587,709</u></u>	<u><u>1,326,114</u></u>

Failsworth Hats Limited

Notes to the financial statements
for the year ended 31st December 2012

continued

7 1. Directors' remuneration	2012	2011
	£	£
Remuneration and other emoluments	242,349	242,341
Pension contributions	36,657	41,660
Compensation for loss of office	40,839	-
	<u>319,845</u>	<u>284,001</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	88,713	92,651
Pension contributions	27,098	9,903
	<u>115,811</u>	<u>102,554</u>

8. Pension costs

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

	2012	2011
	£	£
Analysis of the amount charged to operating profit		
Current service cost	54,337	57,475
	<u>54,337</u>	<u>57,475</u>

Failsworth Hats Limited
Notes to the financial statements
for the year ended 31st December 2012

continued

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

Analysis of charge in period	2012	2011
	£	£
Current tax		
UK corporation tax at 20.00% (2011 - 20.00%)	-	2,905
Total current tax charge	-	2,905
Deferred tax		
Timing differences, origination and reversal	(198,783)	(4,170)
Total deferred tax	(198,783)	(4,170)
Tax on (loss)/profit on ordinary activities	(198,783)	(1,265)

The deferred tax credit to the profit and loss account includes £143,739 in relation to the exceptional reorganisation costs disclosed within note 3 to the financial statements

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (25.00 per cent). The differences are explained below

	2012	2011
	£	£
(Loss)/profit on ordinary activities before taxation	(1,160,135)	399
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.00% (31st December 2011 - 27.50%)	(290,034)	110
Effects of:		
Expenses not deductible for tax purposes	41,662	(10,967)
Depreciation for period in excess of capital allowances	14,441	9,178
Utilisation of tax losses	233,931	1,679
Capital gain on sale of investments	-	3,946
Marginal relief	-	(1,041)
Current tax charge for period	-	2,905

Failsworth Hats Limited

Notes to the financial statements
for the year ended 31st December 2012

continued

10. Dividends

Dividends paid and proposed on equity shares

	2012	2011
	£	£
Paid during the year		
Equity dividends on Ordinary shares	28,000	10,000
	<u>28,000</u>	<u>10,000</u>

11. Intangible fixed assets

	Goodwill	Total
	£	£
Cost		
At 1st January 2012	34,500	34,500
At 31st December 2012	<u>34,500</u>	<u>34,500</u>
Amortisation		
At 1st January 2012	31,083	31,083
Charge for year	1,000	1,000
At 31st December 2012	<u>32,083</u>	<u>32,083</u>
Net book values		
At 31st December 2012	<u>2,417</u>	<u>2,417</u>
At 31st December 2011	<u>3,417</u>	<u>3,417</u>

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2012**

continued

12. Tangible fixed assets	Long leasehold property £	Short leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1st January 2012	349,573	18,929	570,527	131,050	1,070,079
Additions	-	-	1,880	-	1,880
Disposals	-	(18,929)	(483,282)	(34,235)	(536,446)
At 31st December 2012	<u>349,573</u>	<u>-</u>	<u>89,125</u>	<u>96,815</u>	<u>535,513</u>
Depreciation					
At 1st January 2012	116,216	18,929	531,323	64,419	730,887
On disposals	-	(18,929)	(467,675)	(14,202)	(500,806)
Charge for the year	17,614	-	15,173	14,791	47,578
At 31st December 2012	<u>133,830</u>	<u>-</u>	<u>78,821</u>	<u>65,008</u>	<u>277,659</u>
Net book values					
At 31st December 2012	<u>215,743</u>	<u>-</u>	<u>10,304</u>	<u>31,807</u>	<u>257,854</u>
At 31st December 2011	<u>233,357</u>	<u>-</u>	<u>39,204</u>	<u>66,631</u>	<u>339,192</u>

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

Asset description	2012		2011	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor vehicles	<u>14,060</u>	<u>4,687</u>	<u>49,245</u>	<u>11,554</u>

Failsworth Hats Limited

Notes to the financial statements
for the year ended 31st December 2012

continued

13. Fixed asset investments	Subsidiary undertakings shares £	Total £
Cost		
At 1st January 2012 and At 31st December 2012	583	583
Net book values		
At 31st December 2012	583	583
At 31st December 2011	583	583

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 period, which was the 9 months ended 30 September 2012, were as follows

	Capital and reserves £	Profit for the period £
Failsworth Global Accessories (Hong Kong) Limited	(226,998)	(107,014)

14. Stocks	2012 £	2011 £
Raw materials and consumables	239,238	704,271
Work in progress	-	2,850
	239,238	707,121
Finished goods and goods for resale	704,920	734,651
	944,158	1,441,772

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 31st December 2012**

continued

15. Debtors	2012 £	2011 £
Trade debtors	1,174,383	1,552,742
Amount owed by group company	-	104,797
Other debtors	42,265	73,502
Prepayments	37,595	65,502
Deferred tax	361,886	163,103
	<u>1,616,129</u>	<u>1,959,646</u>

Amounts falling due after more than one year and included in debtors are

Deferred tax	<u>298,269</u>	<u>163,103</u>
--------------	----------------	----------------

16. Creditors: amounts falling due within one year	2012 £	2011 £
Bank overdraft (secured)	37,898	117,925
Net obligations under finance leases and hire purchase contracts (secured)	7,000	16,350
Trade creditors	224,014	396,936
Bills of exchange (secured)	54,332	-
Invoice discounting (secured)	775,536	858,277
Corporation tax	2,905	2,905
Other taxes and social security costs	116,850	119,938
Other creditors	5,544	13,701
Accruals and deferred income	309,976	157,405
	<u>1,534,055</u>	<u>1,683,437</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, bills of exchange and invoice discounting creditors are secured by fixed and floating charges over current and future assets of the company.

Fairsworth Hats Limited

Notes to the financial statements
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17. Creditors: amounts falling due after more than one year	2012 £	2011 £
Net obligations under finance leases and hire purchase contracts (secured)	<u>584</u>	<u>12,917</u>
Hire purchase creditors are secured on the assets concerned		
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	7,000	16,350
Repayable between one and five years	<u>584</u>	<u>12,917</u>
	<u>7,584</u>	<u>29,267</u>

18. Provisions for liabilities

	Other provisions £	Total £
Charge for the year	<u>259,750</u>	<u>259,750</u>
At 31st December 2012	<u>259,750</u>	<u>259,750</u>

Other provisions relate to reorganisation costs in connection with the closure of London and Luton sites including the costs of terminating property leases which expire in 2015 and 2021

Failsworth Hats Limited

**Notes to the financial statements
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19. Share capital	2012	2011
	£	£
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 2012	2,143,123	2,143,123
Loss for the year	(961,352)	(961,352)
Equity Dividends	<u>(28,000)</u>	<u>(28,000)</u>
At 31st December 2012	<u>1,153,771</u>	<u>1,153,771</u>
21. Reconciliation of movements in shareholders' funds	2012	2011
	£	£
(Loss)/profit for the year	(961,352)	1,664
Dividends	<u>(28,000)</u>	<u>(10,000)</u>
	(989,352)	(8,336)
Opening shareholders' funds	<u>2,168,248</u>	<u>2,176,584</u>
Closing shareholders' funds	<u>1,178,896</u>	<u>2,168,248</u>

Failsworth Hats Limited

Notes to the financial statements
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22. Financial commitments

At 31st December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within one year	-	-	-	1,320
Between one and five years	1,661	35,161	16,926	15,182
In over five years	-	34,000	-	-
	<u>1,661</u>	<u>69,161</u>	<u>16,926</u>	<u>16,502</u>

23. Related party transactions

During the year dividends amounting to a total of £28,000 (2011 £10,000) were declared to Failsworth Trust, the controlling party. At 31 December 2012 there was an amount of £33,418 (2011 £58,714) outstanding from Failsworth Trust and this is included within debtors. 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 nil (2011 £104,797). During the year loans made to Failsworth Global Accessories (Hong Kong) Limited, amounting to a total of £166,719, were written off and are included within exceptional reorganisation costs (note 3).

24. Controlling interest

The company is controlled by Failsworth Trust

Failsworth Hats Limited

Notes to the financial statements for the year ended 31st December 2012

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25. Gross cash flows

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest paid	(71,551)	(55,130)
Dividends received	-	5,606
	<u>(71,551)</u>	<u>(49,524)</u>
Capital expenditure		
Payments to acquire tangible assets	(1,880)	(39,621)
Receipts from sales of tangible assets	15,000	3,700
	<u>13,120</u>	<u>(35,921)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	-	(583)
	<u>-</u>	<u>(583)</u>
Management of Liquid Resources		
Receipts from sales of short term investments	-	253,105
Payments to acquire short term investments	-	(25,282)
	<u>-</u>	<u>227,823</u>
Financing		
Capital element of finance leases and hire purchase contracts	(21,683)	(14,481)
	<u>(21,683)</u>	<u>(14,481)</u>

During the year ended 31 December 2012 there was a net cash outflow of £61,922 in relation to the exceptional reorganisation costs disclosed within note 3 to the accounts. There were no cash flows in relation to exceptional reorganisation costs of £656,771, as these consisted of accrued expenditure amounting to £347,436 and the write off of stock and other assets amounting to £309,335.

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26 Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	119,992	32,152	152,144
Overdrafts	(117,925)	80,027	(37,898)
	<u>2,067</u>	<u>112,179</u>	<u>114,246</u>
Finance leases and hire purchase contracts	(29,267)	21,683	(7,584)
Net funds	<u>(27,200)</u>	<u>133,862</u>	<u>106,662</u>