

Registrar

Registration number 00079310

Failsworth Hats Limited
Directors' report and financial statements
for the year ended 30th September 2015

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Failsworth Hats Limited

Company information

Directors	Mr P Lynch Mr J Settle 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

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Failsworth Hats Limited
Strategic report
for the year ended 30th September 2015

Business review

Failsworth Hats designs, 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.

Turnover has increased to £9,775,978 from £8,352,003 driven by the addition of new product lines, increased orders from existing customers and also the addition of new customers as a result of strengthening the sales, design and account management team.

Since the business reorganisation in 2012, the company has now reported three consecutive profitable years which continues to improve and strengthen working capital. The retained profit has strengthened the balance sheet in the period by £242,216.

As with previous periods, the seasonality of trade which peaks in the final 3 months of the financial year, results in a high level of trade debtors at the year end. During the year credit insurance was put in place to mitigate the financial risk associated with this exposure. An increase in cash is expected in the period post year end as the trade debtors are collected.

The nature of trade requires a relatively high stock holding of £874,581 driven by the purchase of quality UK fabrics and the lead time to production plus also the import shipment time. The transition of some customers to trading on an FOB basis will reduce the stock holding requirements.

The company made a net profit before taxation of £351,580 for the 12 month period to September 2015, in line with budget and expectations.

Failsworth Hats Limited

Strategic report for the year ended 30th September 2015

..... continued

Principal risks and uncertainties

Supply chain - The company is reliant upon a factory supply base to timely deliver products of good quality to its customers. In addition, it is important that these factories meet both quality and ethical standards for Failsworth Hats requirements and for many of our customers. To mitigate this risk, factories are regularly audited both by third party auditors and our own internal quality control team. In addition, senior management spend six months in total of each year regularly visiting factories to ensure supply and quality is maintained. The supply chain continues to grow as we offer additional products to our customers.

Margin - Margin remains a constant focus for the business as it continues to come under pressure from both our customer base and suppliers, particularly with rising costs in China. We continually review the supply chain in an effort to improve margins and maintain quality in all our products. Although the majority of our products are sourced from China we have started importing from alternative countries to take advantage of lower prices. Utilising our product skills and experience, sourcing and developing new factories remains a key competitive advantage.

Currency risk - The company sources the majority of its products from overseas suppliers. As a result it is exposed to foreign currency transactional risk, predominantly in US Dollars. The business also trades with a number of customers in US Dollars which mitigates some of the currency risk. The company is currently in the process of arranging suitable forward currency contract facilities with the company's bankers to reduce this risk.

Liquidity - The company manages its cash flow 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. To further reduce the risk associated with trade debtors the company has taken out credit insurance in the year.

Financial management

The continued growth in turnover has required a corresponding increase in the financial borrowing requirements of the business. The company's bankers continue to provide strong support to the business by increasing the facilities available to enable the growth for both the current and forthcoming year to be achieved. The invoice finance facility is the main source of funding and is ideally suited for both the business growth and trade seasonality. Risk is minimised as any increase in borrowing is always supported with a corresponding turnover increase.

The directors meet six times a year with its main shareholder, Failsworth Trust, to provide regular trading and financial updates.

Failsworth Hats Limited
Strategic report
for the year ended 30th September 2015

..... continued

Future developments

The company continues to capitalise on its existing customer base by maintaining strong relationships, providing quality products and adding new product lines. In addition, new customers are being added both domestically and internationally further providing the current and forecast growth.

Product development remains key for the business and considerable investment continues in this area to provide the advantage over its competitors.

The company is mindful of the careful balance between growth and maintaining margin without adding risk to the operations of the business. The company also plans to strengthen the working capital of the business through profit retention to fund future growth and reduce the overall borrowing requirements of the business.

Starting the new financial year with an already strong forward order book, the directors are optimistic about the future and feel the business is well placed to take on the challenges ahead.

Financial key performance

The company utilises financial reporting and key performance indicators for the management of the business and key decision making. It considers actual and forecasted turnover, gross margin and operating margin to be the main indicators against which performance is measured. In addition, cashflow is constantly forecasted to ensure the company has sufficient liquid funds available to achieve its goals both in the short and long term.

This report was approved by the Board on 17th November 2015 and signed on its behalf by



Mr C Eccles
Secretary

Failsworth Hats Limited

Directors' report for the year ended 30th September 2015

The directors present their report and the financial statements for the year ended 30th September 2015.

Principal activity

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

Results and dividends

The results for the year are set out on page 8.

The directors have paid an interim dividend amounting to £35,000 and they do not recommend payment of a final dividend.

Directors

The directors who served during the year are as stated below:

Mr P Lynch

Mr J Settle

Mr D A Puleikis

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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.

Failsworth Hats Limited

**Directors' report
for the year ended 30th September 2015**

..... continued

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the company has chosen to include the business review, details of the principal risks and uncertainties facing the company and details of future developments within the strategic report on pages 1 - 3.

Auditors

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

This report was approved by the Board on 17th November 2015 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'C Eccles', with a long horizontal line extending from the end of the signature.

**Mr C Eccles
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 30th September 2015 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 4 - 5, 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 30th September 2015 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 Strategic Report and 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
17th November 2015

Sterling House
501 Middleton Road
Chadderton
Oldham
OL9 9LY

Failsworth Hats Limited

Profit and loss account for the year ended 30th September 2015

		Continuing operations	
		2015	2014
	Notes	£	£
Turnover	2	9,775,978	8,352,003
Cost of sales		(7,429,262)	(6,118,571)
Gross profit		2,346,716	2,233,432
Distribution costs		(853,436)	(815,336)
Administrative expenses		(1,068,219)	(1,013,313)
Operating profit	3	425,061	404,783
Interest payable and similar charges	5	(73,481)	(60,000)
Profit on ordinary activities before taxation		351,580	344,783
Tax on profit on ordinary activities	8	(74,364)	(68,274)
Profit for the year	18	277,216	276,509

There were no acquisitions or discontinued operations during the current or preceding year.

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

The notes on pages 11 to 21 form an integral part of these financial statements.

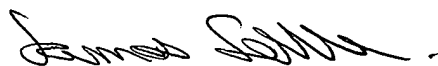
Failsworth Hats Limited

**Balance sheet
as at 30th September 2015**

		2015		2014	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		-		667
Tangible assets	11		247,223		266,032
			<u>247,223</u>		<u>266,699</u>
Current assets					
Stocks	12	874,581		857,593	
Debtors	13	3,686,865		3,638,564	
Cash at bank and in hand		180,173		253,501	
		<u>4,741,619</u>		<u>4,749,658</u>	
Creditors: amounts falling due within one year	14	(3,075,642)		(3,246,573)	
Net current assets			<u>1,665,977</u>		<u>1,503,085</u>
Total assets less current liabilities			1,913,200		1,769,784
Creditors: amounts falling due after more than one year	15		(9,729)		(20,030)
Provisions for liabilities	16		-		(88,499)
Net assets			<u>1,903,471</u>		<u>1,661,255</u>
Capital and reserves					
Called up share capital	17		25,125		25,125
Profit and loss account	18		1,878,346		1,636,130
Shareholders' funds	19		<u>1,903,471</u>		<u>1,661,255</u>

These accounts were approved by the directors on 17th November 2015, and are signed on their behalf by:

Mr J Settle
Director



Registration number 00079310

The notes on pages 11 to 21 form an integral part of these financial statements.

Failsworth Hats Limited

Cash flow statement for the year ended 30th September 2015

	Notes	2015 £	2014 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		425,061	404,783
Depreciation		33,656	16,587
(Increase) in stocks		(16,988)	(74,700)
(Increase) in debtors		(122,665)	(1,240,555)
Increase in creditors		72,352	407,224
(Decrease) in provisions		(88,499)	(25,759)
Net cash inflow from operating activities		<u>302,917</u>	<u>(512,420)</u>
Cash flow statement			
Net cash inflow from operating activities		302,917	(512,420)
Returns on investments and servicing of finance	23	(73,481)	(60,000)
Capital expenditure	23	-	15,000
		<u>229,436</u>	<u>(557,420)</u>
Equity dividends paid		(35,000)	(30,000)
		<u>194,436</u>	<u>(587,420)</u>
Financing	23	(154,501)	33,626
Increase in cash in the year		<u>39,935</u>	<u>(553,794)</u>
Reconciliation of net cash flow to movement in net funds (Note 24)			
Increase in cash in the year		39,935	(553,794)
Cash inflow from increase in debts and lease financing		154,501	(33,626)
		<u>194,436</u>	<u>(587,420)</u>
Change in net funds resulting from cash flows		194,436	(587,420)
New finance leases and hire purchase contracts		(14,180)	(17,500)
		<u>180,256</u>	<u>(604,920)</u>
Movement in net funds in the year		180,256	(604,920)
Net debt at 1st October 2014		(1,794,777)	(1,189,857)
Net debt at 30th September 2015		<u>(1,614,521)</u>	<u>(1,794,777)</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

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
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. Stock

Stock is valued at the lower of cost and net realisable value.

1.7. 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 30th September 2015

..... 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;

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.

2. Turnover

	2015	2014
Geographical market		
UK	9,317,551	7,867,883
Europe	302,018	284,900
Rest of the World	156,409	199,220
	<u>9,775,978</u>	<u>8,352,003</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

3. Operating profit	2015	2014
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	667	1,000
Depreciation		
- written off owned tangible fixed assets	11,674	26,251
- written off tangible fixed assets on HP/Finance lease	21,315	19,099
Net foreign exchange loss	24,995	19,254
Operating lease rentals		
- Land and buildings	1,915	18,534
- Office equipment	7,957	3,927
Auditors' remuneration (Note 4)	14,000	14,500
Auditors' remuneration from non-audit work (Note 4)	2,450	2,225
	<u> </u>	<u> </u>
and after crediting:		
Profit on disposal of tangible fixed assets	-	29,763
	<u> </u>	<u> </u>
 4. Auditors' remuneration	 2015	 2014
	£	£
Auditors' remuneration - audit of the financial statements	14,000	14,500
	<u> </u>	<u> </u>
Auditors' remuneration - other fees:		
- Payroll and other services	2,450	2,225
	<u> </u>	<u> </u>
 5. Interest payable and similar charges	 2015	 2014
	£	£
On bank loans and overdrafts	5,268	4,810
Hire purchase interest	2,792	2,912
Invoice discounting charges	65,421	52,278
	<u> </u>	<u> </u>
	73,481	60,000
	<u> </u>	<u> </u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

6. Employees

Number of employees	2015	2014
The average monthly numbers of employees (including the directors) during the year were:		
Selling and distribution	23	21
Administration	13	13
	<u>36</u>	<u>34</u>

Employment costs	2015	2014
	£	£
Wages and salaries	1,249,458	1,146,196
Social security costs	138,426	129,539
Pension costs-other operating charge	36,867	37,268
	<u>1,424,751</u>	<u>1,313,003</u>

6.1. Directors' remuneration

	2015	2014
	£	£
Remuneration and other emoluments	467,647	436,950
Pension contributions	21,500	25,248
	<u>489,147</u>	<u>462,198</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	175,345	162,498
Pension contributions	5,000	10,392
	<u>180,345</u>	<u>172,890</u>

7. 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.

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

8. Tax on profit on ordinary activities

Analysis of charge in period	2015 £	2014 £
Total current tax charge	-	-
Deferred tax		
Timing differences, origination and reversal	74,364	68,274
Total deferred tax	74,364	68,274
Tax on profit on ordinary activities	74,364	68,274

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (21.00 per cent). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before taxation	351,580	344,783
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.00% (30th September 2014 : 22.00%)	73,832	75,852
Effects of:		
Expenses not deductible for tax purposes	271	638
Capital allowances for period in excess of depreciation	3,102	2,560
Utilisation of tax losses	(77,205)	(79,050)
Current tax charge for period	-	-

9. Dividends

Dividends paid and proposed on equity shares

	2015 £	2014 £
Paid during the year:		
Equity dividends on Ordinary shares	35,000	30,000
	35,000	30,000

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

10. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1st October 2014	34,500	34,500
At 30th September 2015	<u>34,500</u>	<u>34,500</u>
Amortisation		
At 1st October 2014	33,833	33,833
Charge for year	667	667
At 30th September 2015	<u>34,500</u>	<u>34,500</u>
Net book values		
At 30th September 2015	-	-
At 30th September 2014	<u>667</u>	<u>667</u>

11. Tangible fixed assets

	Long leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1st October 2014	349,573	106,086	88,641	544,300
Additions	-	14,180	-	14,180
At 30th September 2015	<u>349,573</u>	<u>120,266</u>	<u>88,641</u>	<u>558,480</u>
Depreciation				
At 1st October 2014	160,000	93,665	24,603	278,268
Charge for the year	7,133	5,472	20,384	32,989
At 30th September 2015	<u>167,133</u>	<u>99,137</u>	<u>44,987</u>	<u>311,257</u>
Net book values				
At 30th September 2015	<u>182,440</u>	<u>21,129</u>	<u>43,654</u>	<u>247,223</u>
At 30th September 2014	<u>189,573</u>	<u>12,421</u>	<u>64,038</u>	<u>266,032</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

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

Asset description	2015		2014	
	Net	Depreciation	Net	Depreciation
	book value	charge	book value	charge
	£	£	£	£
Plant and machinery	21,009	4,831	11,661	4,240
Motor vehicles	32,929	16,484	49,412	14,859
	<u>53,938</u>	<u>21,315</u>	<u>61,073</u>	<u>19,099</u>
12. Stocks			2015	2014
			£	£
Raw materials and consumables			190,320	208,562
Finished goods and goods for resale			684,261	649,031
			<u>874,581</u>	<u>857,593</u>
13. Debtors			2015	2014
			£	£
Trade debtors			3,454,548	3,327,436
Other debtors			-	1,040
Prepayments			76,686	80,093
Deferred tax			155,631	229,995
			<u>3,686,865</u>	<u>3,638,564</u>

The total amount of the deferred tax asset exceeds the amount expected to be recovered within one year, based on anticipated profits during the next twelve months. The amount expected to be recovered against profits beyond the next twelve months has therefore been disclosed as a debtor falling due after more than one year.

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

Deferred tax	<u>102,009</u>	<u>140,691</u>
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Failsworth Hats Limited

**Notes to the financial statements
for the year ended 30th September 2015**

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14. Creditors: amounts falling due within one year	2015 £	2014 £
Invoice discounting (secured)	1,659,293	1,772,556
Bank loan (secured)	102,373	232,244
Net obligations under finance leases and hire purchase contracts (secured)	23,299	23,448
Trade creditors	320,103	392,015
Other taxes and social security costs	157,169	143,884
Other creditors	58,784	57,118
Accruals and deferred income	754,621	625,308
	<u>3,075,642</u>	<u>3,246,573</u>

Hire purchase creditors are secured on the assets financed, details of which are shown in note 11 to the financial statements. Bank loan and invoice discounting creditors are secured by fixed and floating charges over current and future assets of the company.

15. Creditors: amounts falling due after more than one year	2015 £	2014 £
Net obligations under finance leases and hire purchase contracts (secured)	<u>9,729</u>	<u>20,030</u>

Hire purchase creditors are secured on the assets concerned.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	23,299	23,448
Repayable between one and five years	9,729	20,030
	<u>33,028</u>	<u>43,478</u>

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

16. Provisions for liabilities

	Other provisions £	Total £
At 1st October 2014	88,499	88,499
Utilised in the year	(88,499)	(88,499)
At 30th September 2015	-	-

The other provisions represented the balance of reorganisation costs provided in 2012, which have now been fully utilised.

17. Share capital

	2015 £	2014 £
Authorised		
36,750 Ordinary shares of £1 each	36,750	36,750
Allotted, called up and fully paid		
25,125 Ordinary shares of £1 each	25,125	25,125
Equity Shares		
25,125 Ordinary shares of £1 each	25,125	25,125

18. Equity Reserves

	Profit and loss account £	Total £
At 1st October 2014	1,636,130	1,636,130
Profit for the year	277,216	277,216
Equity Dividends	(35,000)	(35,000)
At 30th September 2015	1,878,346	1,878,346

Failsworth Hats Limited

Notes to the financial statements for the year ended 30th September 2015

..... continued

19. Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
Profit for the year	277,216	276,509
Dividends	(35,000)	(30,000)
	<u>242,216</u>	<u>246,509</u>
Opening shareholders' funds	1,661,255	1,414,746
Closing shareholders' funds	<u><u>1,903,471</u></u>	<u><u>1,661,255</u></u>

20. Financial commitments

At 30th September 2015 the company had annual commitments under non-cancellable operating leases as follows:

	2015	Other 2014
	£	£
Expiry date:		
Within one year	1,610	2,940
Between one and five years	4,141	5,307
	<u><u>5,751</u></u>	<u><u>8,247</u></u>

21. Related party transactions

During the year dividends amounting to a total of £35,000 (2014: £30,000) were paid to Failsworth Trust, the controlling party. At 30 September 2015 there was an amount of £54,286 (2014: £51,746) outstanding to Failsworth Trust and this is included within creditors falling due within one year.

22. Controlling interest

The company is controlled by Failsworth Trust.

Failsworth Hats Limited

**Notes to the financial statements
for the year ended 30th September 2015**

..... continued

23. Gross cash flows

	2015	2014
	£	£
Returns on investments and servicing of finance		
Interest paid	<u>(73,481)</u>	<u>(60,000)</u>
Capital expenditure		
Payments to acquire tangible assets	-	(24,100)
Receipts from sales of tangible assets	<u>-</u>	<u>39,100</u>
	<u>-</u>	<u>15,000</u>
Financing		
New short term bank loan	102,373	232,244
Repayment of short term bank loan	(232,244)	(173,347)
Capital element of finance leases and hire purchase contracts	<u>(24,630)</u>	<u>(25,271)</u>
	<u>(154,501)</u>	<u>33,626</u>

24. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	253,501	(73,328)		180,173
Invoice discounting	<u>(1,772,556)</u>	<u>113,263</u>		<u>(1,659,293)</u>
	<u>(1,519,055)</u>	<u>39,935</u>		<u>(1,479,120)</u>
Debt due within one year	(232,244)	129,871	-	(102,373)
Finance leases and hire purchase contracts	<u>(43,478)</u>	<u>24,630</u>	<u>(14,180)</u>	<u>(33,028)</u>
	<u>(275,722)</u>	<u>154,501</u>	<u>(14,180)</u>	<u>(135,401)</u>
Net funds	<u>(1,794,777)</u>	<u>194,436</u>	<u>(14,180)</u>	<u>(1,614,521)</u>