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Company Registration No 3905160 (England and Wales)

FREE TRADE HALL HOTEL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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FREE TRADE HALL HOTEL LIMITED

COMPANY INFORMATION

Directors	Stephen Edmund Barker Margaret Mary Hope
Secretary	Stephen Edmund Barker
Company number	3905160
Registered office	6th Floor Cardinal House 20 St Mary's Parsonage Manchester M3 2LG
Auditors	Lopian Gross Barnett & Co Chartered Accountants 6th Floor Cardinal House 20 St Mary's Parsonage Manchester M3 2LG
Bankers	Bank of Scotland 19/21 Spring Gardens Manchester M2 1FB

FREE TRADE HALL HOTEL LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 - 16

FREE TRADE HALL HOTEL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities and review of the business

The principal activity of the company continued to be that of Hoteliers

We are pleased with the performance of the business since opening in 2004, but are not complacent and are constantly seeking to improve the frontline service and offering of the business in addition to seeking to reduce our cost base without any reduction in quality and service

Whilst a number of other hotels have opened in Manchester city centre we believe that this adds to the offering of the city and region and broadens the business opportunities available to us with other business and leisure facilities the city and region has to offer. With our interest in various city and regional initiatives we believe we are in a position to improve the overall offering

Awards

2005 Voted best development in Manchester by Manchester Chamber of Commerce

2005 Voted best 5 star hotel in UK by customers of Expedia.com

2006 Voted Manchester's Hotel of the Year by Local Tourist board

2007 Voted Manchester's Hotel of the Year by Local Tourist board

2008 'Enjoy England' Silver Winner for Excellence

Risks

The Companies Act 1985, as amended in 2004, requires that the business review contains a description of the principal risks and uncertainties facing the company. It is true that the company, like most businesses is subject to a variety of risks which could have a negative impact on its performance and financial condition, including the reputational damage that might arise from inadvertent breach of one or more provisions of the substantial volume of new and revised legislation and regulations that continue to flow. The Board is responsible for the company's system of internal control and risk management, and for reviewing its effectiveness. In discharging and delegating that responsibility, the Board has regard to the balance of risk, cost and opportunity.

This section describes some of the risks that could materially affect the company's business. The risks below are not the only ones that the company faces. Some risks are not yet known to the company and some that it does not currently believe to be material could later turn out to be material. All such risks could materially affect the company's business, revenue, operating profit, earnings, net assets and liquidity and/or capital resources.

The company has substantial borrowings which require servicing of interest and capital repayments. The company is reliant on having access to borrowing facilities to meet its expected capital repayments and to maintain an efficient balance sheet. The company's bank borrowing facilities are only available if the financial covenants in the facilities are complied with. If the company is not in compliance with the covenants, the lender may demand the repayment of the funds advanced. The availability of funds for future financing is, in part, dependant on conditions and liquidity in the capital markets. We are grateful for the strong supportive relationships we enjoy with our major long-term lender, the Bank of Scotland plc.

The company has taken steps to reduce the risk that might otherwise arise from increases in interest rates by transferring a proportion of its bank borrowings on to a fixed rate. These arrangements carry the risk that the company would not benefit from a significant reduction in interest rates.

In terms of monitoring risk the company prepares detailed monthly management accounts comparing actuals with budgeted figures with the financial controller reporting to both the board of directors and also department heads on material variances.

FREE TRADE HALL HOTEL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Results and dividends

The results for the year are set out on page 6

We are not recommending the payment of a dividend

Market value of land and buildings

The property has been revalued on Existing Use Value by Sanderson Weatherall on 19 September 2006 and is stated in the accounts after deducting amounts payable by the company in the event of a disposal at this amount to certain parties under various legal agreements entered into by the company at the time it commenced the construction of the hotel

Directors

The following directors have held office since 1 January 2007

Stephen Edmund Barker

Margaret Mary Hope

Employee involvement

The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Lopian Gross Barnett & Co be reappointed as auditors of the company will be put to the Annual General Meeting

FREE TRADE HALL HOTEL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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 period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Stephen Edmund Barker

Director

8 October 2008

FREE TRADE HALL HOTEL LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FREE TRADE HALL HOTEL LIMITED

We have audited the financial statements of Free Trade Hall Hotel Limited for the year ended 31 December 2007 set out on pages 6 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

FREE TRADE HALL HOTEL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF FREE TRADE HALL HOTEL LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Lopton Gross Barnett & Co

10 October 2008

Chartered Accountants
Registered Auditor

Chartered Accountants
6th Floor Cardinal House
20 St Mary's Parsonage
Manchester
M3 2LG

FREE TRADE HALL HOTEL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Turnover	2	13,139,098	13,072,160
Cost of sales		(5,457,727)	(5,416,745)
Gross profit		7,681,371	7,655,415
Administrative expenses		(5,328,272)	(5,471,773)
Operating profit	3	2,353,099	2,183,642
Other interest receivable and similar income	4	140,872	57,170
Interest payable and similar charges	5	(2,456,788)	(2,167,841)
Profit on ordinary activities before taxation		37,183	72,971
Tax on profit on ordinary activities	6	-	-
Profit for the year	13	37,183	72,971

The profit and loss account has been prepared on the basis that all operations are continuing operations

FREE TRADE HALL HOTEL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Profit for the financial year		37,183	72,971
Unrealised deficit on revaluation of properties		<u>(904,232)</u>	<u>(460,258)</u>
Total recognised gains and losses relating to the year		<u><u>(867,049)</u></u>	<u><u>(387,287)</u></u>

FREE TRADE HALL HOTEL LIMITED

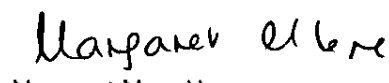
BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	7	41,461,727		42,954,496	
Current assets					
Stocks	8	112,274		116,031	
Debtors	9	961,031		1,330,280	
Cash at bank and in hand		4,179,133		1,395,228	
		<u>5,252,438</u>		<u>2,841,539</u>	
Creditors amounts falling due within one year	10	(5,120,601)		(4,010,371)	
Net current assets/(liabilities)		<u>131,837</u>		<u>(1,168,832)</u>	
Total assets less current liabilities		<u>41,593,564</u>		<u>41,785,664</u>	
Creditors amounts falling due after more than one year	11	(41,248,975)		(40,574,026)	
		<u>344,589</u>		<u>1,211,638</u>	
Capital and reserves					
Called up share capital	12	102		102	
Revaluation reserve	13	1,430,510		2,334,742	
Profit and loss account	13	(1,086,023)		(1,123,206)	
Shareholders' funds	14	<u>344,589</u>		<u>1,211,638</u>	

Approved by the Board and authorised for issue on 8 October 2008


 Stephen Edmund Barker
 Director


 Margaret Mary Hope
 Director

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for the provision of hotelier, conferencing and banqueting services. Income is recognised on a daily basis for the provision of rooms, food, beverages and other sundry services provided by the company

1.4 Tangible fixed assets and depreciation

The long leasehold property is stated at cost of construction to date as modified to include revaluation of the property on an existing use basis. Depreciation is charged as follows

Land and buildings Leasehold	Various - see note below
Computer equipment	33% p a straight line from the period when brought into use
Fixtures, fittings & equipment	20% p a straight line from the period when brought into use

The long leasehold property is included in the balance sheet at its revalued amount. The property has been split into three classes, the long leasehold premium, the shell of the building and the interior fixtures, fittings, plant and machinery which included the contract price, as an adapted property in accordance with FRS 15. The long leasehold interest is amortised over the term of the lease of 150 years. The shell of the building is an asset which will be maintained to a very high standard due to the nature of the business as a 5 star hotel and accordingly it is not being depreciated, but instead is subject to an annual impairment review. In respect of the interior, fixtures and fittings are being depreciated over 5 years straight line, and plant and machinery over 15 years straight line. Gross interest and finance charges incurred on the financing of the property are capitalised until the time that they are first available for use.

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 a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies (continued)

1.6 Stock

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

1.7 Revenue recognition

Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance in providing services as a hotelier. It is measured at the fair value of the right to consideration, which represents the amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue not billed to clients is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

1.8 Deferred taxation

Deferred taxation is provided in at appropriate rates on all timing differences between using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future. No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company is not intending to sell the revalued property.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3	Operating profit	2007 £	2006 £
	Operating profit is stated after charging		
	Depreciation of tangible assets	1,561,345	1,576,998
	Operating lease rentals	26,991	23,095
	Auditors' remuneration (including expenses and benefits in kind)	45,000	47,500
		<u> </u>	<u> </u>

4	Investment income	2007 £	2006 £
	Bank interest	140,872	57,170
		<u> </u>	<u> </u>
		140,872	57,170
		<u> </u>	<u> </u>

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

5	Interest payable	2007 £	2006 £
	On other loans wholly repayable within five years	2,456,139	2,166,295
	Hire purchase interest	649	1,546
		<u>2,456,788</u>	<u>2,167,841</u>
6	Taxation	2007	2006
	Current tax charge	<u>-</u>	<u>-</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>37,183</u>	<u>72,971</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2006 - 19.00%)	<u>7,808</u>	<u>13,864</u>
	Effects of		
	Tax losses utilised	<u>(7,808)</u>	<u>(13,864)</u>
		<u>(7,808)</u>	<u>(13,864)</u>
	Current tax charge	<u>-</u>	<u>-</u>

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

7 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 1 January 2007	41,438,991	235,886	4,952,125	46,627,002
Additions	904,232	-	68,576	972,808
Revaluation	(904,232)	-	-	(904,232)
At 31 December 2007	41,438,991	235,886	5,020,701	46,695,578
Depreciation				
At 1 January 2007	1,264,065	186,681	2,221,760	3,672,506
Charge for the year	508,000	49,205	1,004,140	1,561,345
At 31 December 2007	1,772,065	235,886	3,225,900	5,233,851
Net book value				
At 31 December 2007	39,666,926	-	1,794,801	41,461,727
At 31 December 2006	40,174,926	49,205	2,730,365	42,954,496

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

	Hotel furniture and office equipment £
Net book values	
At 31 December 2007	-
At 31 December 2006	21,903
Depreciation charge for the year	
At 31 December 2007	-
At 31 December 2006	8,605

The property has been revalued on Existing Use Value by Sanderson Weatherall on 19 September 2006 and is stated in the accounts after deducting amounts payable by the company in the event of a disposal at this amount to certain parties under various legal agreements entered into by the company at the time it commenced the construction of the hotel

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

8	Stocks	2007 £	2006 £
	Finished goods and goods for resale	112,274	116,031
		<u>112,274</u>	<u>116,031</u>
9	Debtors	2007 £	2006 £
	Trade debtors	510,266	606,776
	Amounts owed by parent and fellow subsidiary undertakings	68,175	68,175
	Other debtors	-	10,847
	Prepayments and accrued income	382,590	644,482
		<u>961,031</u>	<u>1,330,280</u>
10	Creditors amounts falling due within one year	2007 £	2006 £
	Bank loans and overdrafts	1,680,904	1,375,000
	Net obligations under hire purchase contracts	-	5,447
	Trade creditors	628,886	523,052
	Taxes and social security costs	420,760	541,860
	Other creditors	6,779	23,068
	Accruals and deferred income	2,383,272	1,541,944
		<u>5,120,601</u>	<u>4,010,371</u>
	Net obligations under hire purchase contracts		
	Repayable within one year	-	5,447
	Finance charges and interest allocated to future accounting periods	-	-
		<u>-</u>	<u>5,447</u>

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

11 Creditors amounts falling due after more than one year	2007 £	2006 £
Bank loans	30,963,569	30,038,620
Other loans	10,285,406	10,535,406
	<u>41,248,975</u>	<u>40,574,026</u>
Analysis of loans		
Wholly repayable within five years	42,929,879	41,949,026
	<u>42,929,879</u>	<u>41,949,026</u>
Included in current liabilities	(1,680,904)	(1,375,000)
	<u>41,248,975</u>	<u>40,574,026</u>
Loan maturity analysis		
In more than one year but not more than two years	1,375,000	1,625,000
In more than two years but not more than five years	30,088,569	29,163,620
In more than five years	9,785,406	9,785,406
	<u>41,248,975</u>	<u>40,574,026</u>

The bank of Scotland loan of £32,644,473 has the following securities. A legal charge over the assets and the contracts of the company and an all sums debenture granted by all of the group companies. Security ranking behind the bank has been provided to certain other fund providers.

12 Share capital	2007 £	2006 £
Authorised		
3 Ordinary shares of £1 each	3	3
99,700 Ordinary shares of 1p each	997	997
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
3 Ordinary shares of £1 each	3	3
9,900 Ordinary shares of 1p each	99	99
	<u>102</u>	<u>102</u>

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

13 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2007	2,334,742	(1,123,206)
Profit for the year	-	37,183
Revaluation during the year	(904,232)	-
Balance at 31 December 2007	<u>1,430,510</u>	<u>(1,086,023)</u>

14 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	37,183	72,971
Other recognised gains and losses	(904,232)	(460,258)
Net depletion in shareholders' funds	(867,049)	(387,287)
Opening shareholders' funds	<u>1,211,638</u>	<u>1,598,925</u>
Closing shareholders' funds	<u>344,589</u>	<u>1,211,638</u>

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
	<u>222</u>	<u>224</u>
Employment costs	2007 £	2006 £
Wages and salaries	2,985,639	2,935,123
Social security costs	245,596	240,356
	<u>3,231,235</u>	<u>3,175,479</u>

FREE TRADE HALL HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

16 Control

The company was controlled at the end of the current period by its director Mr S E Barker who owns 100% of the issued share capital in the ultimate parent company, Peterloo Hotels Limited

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company