

MECHANICS CENTRE LIMITED

FINANCIAL STATEMENTS

FOR THE

YEAR ENDED 31st MARCH 2006

Company No 1983373 England & Wales



MECHANICS CENTRE LIMITED

DIRECTORS' REPORT for the YEAR ENDED 31st MARCH 2006

The Directors present their report and accounts for the year ended 31st March 2006.

REVIEW OF ACTIVITIES

The company is the trading arm of the Mechanics Institute Museum of Labour and Trades Union History Trust which is a registered Charity No 519213.

These accounts reflect the trading and assets and liabilities of the company transactions undertaken by the Company. Raising of Grants and purchase of lease with regard to the Trust have been excluded.

The company has made a profit in the year £32,089 (2004 £10,640) before a covenant to the Trust of £26,000 (2004 £10,100)

DIRECTORS

The Directors of the Company during the year were

Elected for 2004/2006*		Elected for 2005/2007	
Bill Campbell	UNISON NW Region	Paul Andrews	UCATT
Peter Dodd	CWU	Gerald Cooney	UCATT
Barrie Eckford	EPIU	Kathy Dyson	MU
John Flanagan	MSF	Tony Gallagher	PTC NW Region
Jeno Menezes	Manchester TUC	Alan Manning	NWTUC
Terance Morley	USDAW	Jim McMullen	FBU
Harri Pickles	UNISON	Jim McNicholls	CWU
Peter Ritman	AUT	Kieran Quinn	CWU
Harry Spooner	NASUWT	Margaret Barrow	AUT
K Morley	Manchester TUC	Tony Salt	CWU

None having a beneficial interest in the Company

In accordance with the articles of association, those directors marked * retire by rotation and being eligible offer themselves for re-election at the annual general meeting.

CAPITAL

The Company is limited by guarantee and does not have a share capital.

The liability of the members is limited to £5 each.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Messrs. Appleby & Wood as Auditors under Section 119 of the Companies Act 1989 will be put to the annual general meeting.

This report was approved by the board on 4th July 2006.

Signed on behalf of the board of directors.


J McNicholls

Secretary

MECHANICS CENTRE LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the balance sheet date and of the profit and loss of the company for the year then ended. 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm their compliance with these requirements

..... Secretary 4th July 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MECHANICS CENTRE LIMITED

We have audited the financial statements of Mechanics Centre Limited for the year ended 31st March 2006, which comprise the Profit and Loss account, Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with the 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 auditor's 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 Committee members and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. There is no other information in the report. We consider the implications on our report if we become aware of any apparent misstatements with the other information. Our responsibilities do not extend to any other information.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available for Small Entities, in the circumstances set out in note 1 to the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board except that the scope of our work was limited as explained below. An audit includes an 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.

Fundamental uncertainty

It is understood that the Directors' are relying upon general discussions with the Pension Administrator (explained in note 13) that the deficit on the pension fund relating to this company is not major compared to the company's resources. However no calculations to this effect have been presented to us. There can be no certainty in relation to this basis and hence the accounts are prepared on a going concern basis on the strict understanding that the deficit will be minor and can be covered out of company resources. The financial statements do not contain any adjustments which might be necessary for this deficit.

Opinion – Disclaimer on view given by the financial statements

Because of the possible effect of the limitation of evidence available to us and lack of information available to consider the going concern of the company we are unable to form an opinion as to whether the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2006 or of its results for the year then ended;
- In all other respects in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985. In respect alone of the limitation of our work relating to pension scheme liabilities referred to above we have not obtained all information and explanations that we consider necessary for the purpose of our audit.
- The information given in the Directors Report is consistent with the financial statements.

Bolton Enterprise Centre
Washington Street Bolton
Greater Manchester

Appleby & Wood
Chartered Accountants & Registered Auditor
4th July 2006

MECHANICS CENTRE LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006**

	<u>Notes</u>	<u>2006</u> £	<u>2005</u> £
TURNOVER		219,319	182,734
Cost of Sales		(101,493)	(95,380)
		-----	-----
Gross Profit		117,826	87,354
Less			
Administrative Expenses		(86,837)	(77,780)
		-----	-----
Operating Profit	1	30,989	9,574
Other Income			
Interest Received		1,100	1,066
		-----	-----
Profit on Ordinary Activities Before Taxation		32,089	10,640
Tax on Profit on Ordinary Activities		-	-
		-----	-----
Profit on Ordinary Activities After Taxation		32,089	10,640
Covenant Paid	8	(26,000)	(10,100)
		-----	-----
Retained Profit for Financial Year 9		6,089	540
		=====	=====

All of the Company's activities are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31st MARCH 2006

Profit for the Financial Year	6,089	540
Other Recognised /Gains and (Losses)		
Net - Donations/Grants	(3,445)	(3,445)
	-----	-----
Total Recognised Gains and (Losses)	2,644	(2,905)
Relating to the Year	=====	=====

The notes on pages 5 to 8 form an integral part of these financial statements

MECHANICS CENTRE LIMITED

BALANCE SHEET AS AT 31st MARCH 2006

	Notes	2006	2005
	£	£	£
TANGIBLE FIXED ASSETS	4	57,109	61,808
CURRENT ASSETS			
Stock		1,447	952
Debtors		27,425	18,140
Mechanics Centre Trust		3,032	2,355
Prepayments and Other Debtors		5,369	7,146
Cash at Bank		84,878	77,868
Cash in Hand		390	412
		-----	-----
		122,541	106,873
		=====	=====
Less CREDITORS : Amounts Falling Due Within One Year			
Trade Creditors		12,668	7,454
PAYE, Other Taxation and Social Security		5,399	5,190
Accruals		40,798	37,896
		-----	-----
		58,865	50,540
Net Current Assets		-----	-----
		63,676	56,333
		-----	-----
Total Assets Current Liabilities		120,785	118,141
		=====	=====
Capital & Reserves			
Donations Fund	7	45,805	49,250
Profit and Loss Account	9	74,980	68,891
		-----	-----
'Shareholders Funds'	10	120,785	118,141
		=====	=====

Approved by the board of directors on 4th July 2006 and signed on its behalf by

) DIRECTOR H Spooner

The notes on pages 5 to 7 form an integral part of these financial statements

MECHANICS CENTRE LIMITED - YEAR ENDED 31st MARCH 2006
ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts have been prepared treating the company as a going concern under the historical cost basis of accounting and are in respect of the year ended 31st March 2006 with comparative figures in respect of the year to 31st March 2005.

This basis has been adopted by the board as a result of its forward review of the company's activities and the budget it has prepared for the 15 months to 30th June 2007. The board believe this is acceptable for at least the next 12 months.

INCOME

Income is brought into the accounts on the basis of invoiced value of goods and services supplied. Any pledges not yet received are not accounted for until received. Any donations allocated to the trust relating to its lease purchase are excluded.

Interest is also recorded on a receipts basis
All income arises in the United Kingdom

DONATIONS AND FEES

The balance of donations and fees over expenditure is carried forward in a donations fund representing monies accumulated towards the premium costs of the premises.

TAXATION

Taxation is provided on bank interest received and bar food trade and room hire except to the extent that losses and covenants paid are set against this income.

GRANT/FUNDING BY DONATIONS

These are credited to profit and loss account over the respective periods of depreciation applied to the tangible fixed assets they have financed, being Décor, Designs, Refurbishment and lease premium.

DEPRECIATION & TANGIBLE FIXED ASSETS

Depreciation is charged at the following rates:-

Premium on leases - over the period of the lease 125 years

Refurbishment costs - over 5 years

Decorating & Designs - over 10 years

Depeciation is provided on tangible fixed assets at 20% to 33.3% p.a.

STOCK

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

CASH FLOW

The company has taken advantage of the exemption in Financial Reporting Standard No 1 not to produce a cash flow statement on the grounds it is a small company.

PENSION COSTS

Pension costs are accounted for on the basis of charging costs of premiums as they arise on a defined contribution basis. Further details are shown in note 13 on page 8.

MECHANICS CENTRE LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2006**

	2006	2005
1. OPERATING PROFIT IS AFTER CHARGING		
Depreciation	5,111	6,194
Auditors Remuneration	3,050	1,965
	=====	=====
And Crediting Grants & Donations	3,445	3,445
	=====	=====

In common with many other business of our size and nature we use our auditors to prepare and submit returns to the tax authorities, provide tax advice and assist with the preparation of the financial statements.

2. MEMBERSHIP

There are currently trade unions and related bodies.

3a. DIRECTORS' AND SECRETARY'S REMUNERATION – recharged from Mechanics Centre Museum of Labour and Trades Union History Trust amounts to £2,500 (2005 £2,500)

3b. OTHER SALARIES

Wages & Salaries	73,366	69,586
Social Security Costs	4,116	3,826
Other Pension Costs	5,485	5,255
	-----	-----
	82,967	78,667
	=====	=====

Average number of Employees excluding directors and secretary 8 (2005 8)

4. TANGIBLE FIXED ASSETS

	Cost B/fwd	Additions	Cost C/fwd	Depreciation B/fwd	Charge this Year	C/fwd
General Equipment	25,820	130	25,950	25,268	682	25,950
Kitchen Building & Other Equipment	23,234	282	23,516	21,139	1,604	22,743
Bar, Equipment & Utensils	24,672	-	24,672	22,799	937	23,736
Decorating, Designs etc.	29,390	-	29,390	29,390	-	29,390
Furniture & Fittings	33,852	-	33,852	31,692	1,382	33,074
Refurbishment	46,934	-	46,934	46,934	-	46,934
	-----	-----	-----	-----	-----	-----
Gross Premium	183,902	412	184,314	177,222	4,605	181,827
on Lease	63,223	-	63,223	8,095	506	8,601
	-----	-----	-----	-----	-----	-----
	247,125	412	247,537	185,317	5,111	190,428
	=====	=====	=====	=====	=====	=====

Net Book Value £57,109 (2005 £61,808)

The company together with the Mechanics Centre Museum of Labour and Trades' Union History Trust Limited has authorised and contracted for capital expenditure of £Nil (2005 £Nil)

5. BREWERY ADVANCE - was to be written off by barrellage allowances dependent upon trade levels, but has now been paid off at a discount.

MECHANICS CENTRE LTD**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2006**

6. The company is limited by guarantee and does not have share capital

	<u>2006</u>	<u>2005</u>
7. Grants/Donations Fund		
Balance Brought Forward	49,250	52,695
Credit to Profit and Loss Account towards Depreciation	(3,445)	(3,445)
	<u>45,805</u>	<u>49,250</u>

8. Charge is made in the accounts for a covenant paid to Mechanics Centre Museum of Labour and Trades' Union History Trust Limited of £26,000 (2005 £10,100)

9. Profit and Loss Account		
Balance Brought Forward	68,891	68,351
Retained Profit for the Year	6,089	540
	<u>74,980</u>	<u>68,891</u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

Profit for the Year	32,089	10,640
Covenant Paid(net)	(26,000)	(10,100)
	<u>6,089</u>	<u>540</u>
Retained Profit for the Year	6,089	540
Other Recognised Gains and (Losses)	(3,445)	(3,445)
	<u>2,644</u>	<u>(2,905)</u>
Net Increase/(Reduction) in the Year	2,644	(2,905)
Shareholders Fund at 1st April 2005	118,141	121,046
	<u>120,785</u>	<u>118,141</u>
Shareholders Fund at 31st March 2006	120,785	118,141

11. FUTURE COMMITMENTS

The company has entered into a lease with the Mechanics Centre Museum of Labour & Trade Union History Trust a registered Charity holding a similiar lease from Manchester City Council.

The term is 125 years at a peppercorn rent from 1989. The companies also pay ongoing service and maintenance charges for the building and common parts to Manchester City Council in total £24,000 (2005 £26,000).

12. RELATED PARTIES

The company has paid a gross covenant under Gift Aid to the Mechanics Centre Museum of Labour and Trades Union History Trust Limited of £26,000 (2005 £10,100). There is no ultimate controlling party. Other related party transactions are shown in notes 3, 8 and 11. It is also noted that Directors represent Trade Unions who use the Company's conference facilities. The charges made to the Trade Unions are on a commercial basis. The room rental turnover to Trade Unions amounts to £24,787 (2005 £25,337).

MECHANICS CENTRE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2006

13 PENSION FUND – Retirement Benefits

The company and certain staff contribute to The Greater Manchester Pension Fund as an “admitted body”. Financial Reporting Standard 17 requires disclosure in the financial statements of the fair value of the assets and liabilities arising from the company’s retirement benefit obligations and any related funding at each balance sheet date. It also requires disclosure of key actuarial and operating costs of providing retirement benefits, the related finance costs and any other changes in value of the assets and liabilities. The information shown is to be updated by the schemes actuary at each balance sheet date. The directors have concluded that it is not in the shareholders interests to incur the costs of any annual actuarial valuation. The note below therefore includes information from the most recent triennial valuation performed by the actuary for the pension scheme. It is not practicable to qualify the effect of this departure from accounting standards. The latest valuation of the whole as of 31st March 2004 by actuaries Hymans Robertson show a past service deficit of £461m (2001 surplus of £306m) on the overall scheme with a funding level of 93% (2001 105%). However there are many employer organisations in the scheme and the valuation is not split into each member. The Scheme administrator believes a separate FRS17 report would be costly and the information is very limited.

The updated financial assumptions of the valuation at 31st March 2006 are: -

	Assumed	Real
Investment return – Equities	7.4%	
Bonds	4.6%	
Discount rate	4.9%	1.7%
Pay increases	4.6%	1.5%
Price increases	3.1%	

Figures are not available for the deficit relating to this company above.

The employers present contribution is 12.6%, employees 6%.

The actuarial report executive summary states that “Assuming that a funding level of 100% is targeted over a period of 20 years on the ongoing basis (if our assumptions are borne out in practice), the common employers contribution rate is 14.5% of pensionable pay”. No calculations are available to show how this company will achieve this outcome.