

**Rocco Forte & Family (The Lowry  
Hotel) Limited**

Report and Financial Statements

Year Ended

30 April 2014

Company Number 3807696

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# Rocco Forte & Family (The Lowry Hotel) Limited

Report and financial statements  
for the year ended 30 April 2014

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## Directors

The Hon Sir Rocco J V Forte  
Gareth Caldecott

## Registered office

70 Jermyn Street, London, SW1Y 6NY

## Company number

3807696

## Auditor

BDO LLP, Pannell House, Park Street, Guildford, Surrey, GU1 4HN

## Bankers

Bank of Scotland, The Mound, Edinburgh, EH1 1YZ

## Solicitors

Forsters LLP, 31 Hill Street, London, W1J 5LS

# Rocco Forte & Family (The Lowry Hotel) Limited

## Strategic report for the year ended 30 April 2014

The directors present their strategic report and the audited financial statements for the year ended 30 April 2014.

### Business review

The principal activity of the Company is the operation and ownership of Manchester's first five-star hotel, The Lowry Hotel. The hotel is part of the Rocco Forte group of luxury hotels.

Turnover is £11.8m (2013 - £12.0m). Earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the year fell by 21.7% on the prior year to £1.8 m (2013 - £2.3m).

### Future developments

The Lowry Hotel maintained its position as the leading hotel in Manchester. The directors are optimistic regarding the prospects for future growth.

### Performance indicators

For the year ending 30 April 2014, The Lowry Hotel's occupancy was 72.2% (2013 - 75.3%). It had an ADR of £153.65 (2013 - £147.89) and a RevPAR of £110.86 (2013 - £111.31).

The directors closely monitor a number of non-financial performance indicators at the hotel. These include independent assessments of service quality against operational service standards, customer comment cards and direct research with customers.

The Company is committed to minimising its impact upon the environment, particularly by seeking energy saving initiatives.

### Principal risks and uncertainties

The directors consider the following to be the principal risks and uncertainties facing the Company:

- Changes to government regulations, including legislation in respect of employee matters, environmental matters, health & safety, and accessibility
- Competition from new hotel properties
- Managing changes in key personnel and senior management
- Information technology systems security and data protection

The directors take measures to minimise the Company's exposure to these risks on an ongoing basis.

### Approval

This strategic report was approved on behalf of the Board on 1 August 2014 by:



Gareth Caldecott

Director

# **Rocco Forte & Family (The Lowry Hotel) Limited**

## **Report of the directors for the year ended 30 April 2014**

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The directors present their annual report and the audited financial statements for the year ended 30 April 2014.

### **Directors**

The directors of the company, all of whom served throughout the year, except as noted were:

The Hon Sir Rocco J V Forte  
Ivano Artolli (resigned 23.07.14)  
Alan Clark (resigned 05.03.2014)  
Gareth Caldecott (appointed 05.03.2014)

### **Results and dividends**

The profit for the year after taxation was £354,000 (2013 - £564,000). The directors do not propose payment of a dividend this year (2013 - £Nil).

### **Provision of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

### **Financial risk management**

The Company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

The Company is partly financed by way of a long term loan from its ultimate parent company at floating rates of interest.

### **Funding arrangements**

The Group's banking facilities with the Bank of Scotland are in place until June 2015. Long term financing arrangements in relation to one of the Group's Italian subsidiaries is currently being renegotiated with its Italian lender. In the event that revised long term facilities are not agreed, this may give rise to Bank of Scotland exercising their rights due to an event of default under the Group's facilities.

Discussions are proceeding with the Italian lender in a positive fashion and currently indicate that a long term financing solution will be achieved. Therefore, given the constructive ongoing discussions, the strong relationships that exist with the Group's banks and taking account of all options available to the Group, the directors have the reasonable expectation that the Group and the Company will have the resources required to continue as a going concern. As such, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

# **Rocco Forte & Family (The Lowry Hotel) Limited**

## **Report of the directors for the year ended 30 April 2014 (*continued*)**

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### **Employee involvement**

The Company is committed to the principle of employee involvement in all aspects of the business. The Company's employment policies meet relevant standards on employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training, and career development is encouraged on the basis of aptitude and ability. It is Group policy to retain employees who become disabled whilst in its service and to provide specialist training where appropriate.

**Approved by the Board of Directors  
and signed on behalf of the Board**



Gareth Caldecott  
**Director**

1 August 2014

# **Rocco Forte & Family (The Lowry Hotel) Limited**

## **Directors' responsibilities**

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The directors are responsible for preparing the strategic report, 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 period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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, to 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 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.

# **Rocco Forte & Family (The Lowry Hotel) Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF ROCCO FORTE & FAMILY (THE LOWRY HOTEL) LIMITED**

We have audited the financial statements of Rocco Forte & Family (The Lowry Hotel) Limited for the year ended 30 April 2014 which comprise the profit and loss account, the balance sheet 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 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 directors and auditors**

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2014 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.

#### **Emphasis of matter - going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is a subsidiary of the Rocco Forte & Family Limited Group and as described in note 16 it is party to a group loan facility over which the Group's bankers have a cross guarantee. The Group has separate financing arrangements for one of its Italian subsidiaries, however, financial progress with this subsidiary has been slower than required to meet all the conditions of its existing facilities. As a result, the long term financing arrangements are currently being renegotiated with the Italian lender. In the event that revised long term facilities are not agreed with the Italian lender, Bank of Scotland may exercise their existing rights due to an event of default under the Group's facilities. These conditions, along with the other matters explained in note 1 to the financial statements, give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

# Rocco Forte & Family (The Lowry Hotel) Limited

## Independent auditor's report (*continued*)

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### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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.

**BDO LLP**

*Nick Poulter (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Guildford  
United Kingdom*

1 August 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Rocco Forte & Family (The Lowry Hotel) Limited

## Profit and loss account for the year ended 30 April 2014

	Note	2014 £'000	2013 £'000
Turnover	1	11,753	11,968
Cost of sales		(6,185)	(6,030)
<b>Gross profit</b>		<b>5,568</b>	<b>5,938</b>
Administrative expenses		(4,389)	(4,306)
<b>Operating profit</b>		<b>1,179</b>	<b>1,632</b>
Interest payable and similar charges	2	(825)	(1,068)
<b>Profit on ordinary activities before taxation</b>	3	<b>354</b>	<b>564</b>
Tax charge on profit on ordinary activities	6	-	-
<b>Profit for the year</b>	13	<b>354</b>	<b>564</b>

There are no recognised gains or losses in the year other than the profit for the year.

All amounts relate to continuing activities.

The notes on pages 9 to 17 form part of these financial statements.

# Rocco Forte & Family (The Lowry Hotel) Limited

## Balance sheet at 30 April 2014

<i>Company number 3807696</i>	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
Tangible fixed assets	7		24,840		25,150
<b>Current assets</b>					
Stocks	8	245		234	
Debtors due within one year	9	1,060		1,126	
Cash at bank and in hand		910		342	
		<u>2,215</u>		<u>1,702</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,360)</u>		<u>(1,924)</u>	
<b>Net current liabilities</b>			<u>(145)</u>		<u>(222)</u>
<b>Total assets less current liabilities</b>			<u>24,695</u>		<u>24,928</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>(22,366)</u>		<u>(22,953)</u>
<b>Net assets</b>			<u>2,329</u>		<u>1,975</u>
<b>Capital and reserves</b>					
Called up share capital	12		5,000		5,000
Profit and loss account	13		(2,671)		(3,025)
<b>Total shareholder's funds</b>	14		<u>2,329</u>		<u>1,975</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 August 2014.



Gareth Caldecott  
Director

The notes on pages 9 to 17 form part of these financial statements.

# Rocco Forte & Family (The Lowry Hotel) Limited

## Notes forming part of the financial statements for the year ended 30 April 2014

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

#### *Basis of preparation: going concern*

Although the Company reports net current liabilities, it is profitable and cash generative and the directors are confident that it will continue to trade as a going concern for the foreseeable future.

The Group's banking facilities with the Bank of Scotland are in place until June 2015. The Group has separate financing arrangements for one of its Italian subsidiaries, however, financial progress with this subsidiary has been slower than required to meet all the conditions of its existing facilities. As a result, the long term financing arrangements relating to the Italian subsidiary are currently being renegotiated with its Italian lender. As described in note 16 the Company is party to a group loan facility with Bank of Scotland. In the event that revised long term facilities are not agreed, Bank of Scotland may exercise their existing rights due to an event of default under the Group's facilities. These conditions give rise to a material uncertainty related to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern.

Discussions are proceeding with the Italian lender in a positive fashion and currently indicate that a long term financing solution will be achieved. Following this anticipated resolution, the directors are confident that a new long term facility will then be agreed with an external lender. Therefore, given the constructive ongoing discussions, the strong relationships that exist with the Group's banks and taking account of all options available to the Group, the directors have the reasonable expectation that the Group and the Company will have the resources required to continue as a going concern. As such, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

#### *Turnover*

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point at which goods and services are delivered to the customer. All turnover arises in the United Kingdom. Deposits which have been received at the balance sheet date for which services have not yet been provided are included in accruals and deferred income within creditors.

#### *Cash flow*

Under the provisions of FRS 1 (Revised): Cash Flow Statements, the Company has not prepared a cash flow statement because its ultimate parent company, Rocco Forte & Family Limited, prepares consolidated accounts. The cash flows of the Company are included in the consolidated cash flow statement.

#### *Related party disclosures*

As a subsidiary of Rocco Forte & Family Limited the Company has taken advantage of the exemption in FRS 8: Related Party Disclosures not to disclose transactions with other wholly owned members of the group.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Provisions are made for obsolete or slow-moving items where appropriate.

# Rocco Forte & Family (The Lowry Hotel) Limited

## Notes forming part of the financial statements for the year ended 30 April 2014 (*continued*)

### 1 Accounting policies (*continued*)

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

It is the Company's policy to maintain its property in sound condition and to a high standard. In accordance with FRS 15, the Company depreciates long leasehold buildings over their useful economic life which is deemed to be 50-100 years, taking into account estimated residual values.

Furniture, furnishings, equipment and computers are depreciated on a straight line basis, at rates between 7% per annum and 33% per annum as considered appropriate to their estimated useful lives, from the date they are put into use. Plant and machinery is depreciated on a straight line basis, at rates between 4% per annum and 7% per annum as considered appropriate to their estimated useful lives, from the date they are put into use.

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

#### *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

#### *Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market is shorter than the full lease term, in which case the shorter period is used.

# Rocco Forte & Family (The Lowry Hotel) Limited

Notes forming part of the financial statements  
for the year ended 30 April 2014 (*continued*)

<b>2</b>	<b>Interest</b>		
	<b>Interest receivable and similar income</b>	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
	Bank interest	3	-
	<b>Interest payable and similar charges</b>	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
	Payable to group undertakings	828	1,068
<b>3</b>	<b>Profit on ordinary activities before taxation</b>	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
	Profit on ordinary activities before taxation is stated after charging:		
	Depreciation:		
	- owned	661	640
	Operating lease rentals:		
	- plant and machinery	8	8
	- other	130	154
	Auditor's remuneration:		
	- for audit services	20	20
	- for taxation services	3	2

# Rocco Forte & Family (The Lowry Hotel) Limited

Notes forming part of the financial statements  
for the year ended 30 April 2014 (*continued*)

## 4 Staff costs

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

	2014 Number	2013 Number
Operational	172	174
Sales	8	8
Administration	14	13
	<hr/>	<hr/>
	194	195
	<hr/>	<hr/>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	3,465	3,342
Social security costs	254	243
	<hr/>	<hr/>
	3,719	3,585
	<hr/>	<hr/>

## 5 Directors' remuneration

The directors received no remuneration in respect of services to the Company during the year (2013 - £Nil).

# Rocco Forte & Family (The Lowry Hotel) Limited

Notes forming part of the financial statements  
for the year ended 30 April 2014 (*continued*)

## 6 Tax charge on profit on ordinary activities

	2014 £'000	2013 £'000
UK corporation tax at 22.8% (2013 - 23.9%)	-	-
Under provision in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences charge	-	-
Tax losses available	-	-
	<hr/>	<hr/>
Total tax charge	-	-
	<hr/>	<hr/>
Deferred tax is provided as follows:		
Other timing differences	-	-
Tax loss available	-	-
	<hr/>	<hr/>
Deferred tax asset	-	-
	<hr/>	<hr/>

There are unprovided deferred tax assets or liabilities as at 30 April 2014 as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	(202)	660
Tax losses available	1,774	2,147
Other timing differences	(333)	(384)
	<hr/>	<hr/>
Unprovided deferred tax asset	1,239	2,423
	<hr/>	<hr/>

A deferred tax asset has not been recognised in the financial statements in respect of these losses as the probability and timing of utilisation cannot be reliably determined.

# Rocco Forte & Family (The Lowry Hotel) Limited

## Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

### 6 Tax on loss on ordinary activities (continued)

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	354	564
Tax at 22.8% (2013 - 23.9%)	81	135
Effects of:		
Capital allowances in excess of depreciation	(4)	(16)
Expenses not deductible for tax purposes	30	28
Utilisation of tax losses and tax losses carried forward	(107)	(147)
Current tax charge for the year	-	-

### 7 Tangible fixed assets

	Long leasehold buildings £'000	Furniture, fittings, equipment and computers £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>				
At 1 May 2013	22,053	5,364	5,591	33,008
Additions	6	348	-	354
Disposals	-	(20)	-	(20)
At 30 April 2014	22,059	5,692	5,591	33,342
<i>Depreciation</i>				
At 1 May 2013	966	4,264	2,628	7,858
Charge for the year	83	342	236	661
Disposal	-	(17)	-	(17)
At 30 April 2014	1,049	4,589	2,864	8,502
<i>Net book value</i>				
30 April 2014	21,010	1,103	2,727	24,840
At 1 May 2013	21,087	1,100	2,963	25,150



# Rocco Forte & Family (The Lowry Hotel) Limited

## Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

### 7 Tangible fixed assets (continued)

Included within the cost of long leasehold buildings is capitalised interest of £1,669,000 (2013 - £1,669,000).

### 8 Stocks

	2014 £'000	2013 £'000
Food and beverage	102	111
Other consumables	143	123
	<u>245</u>	<u>234</u>

### 9 Debtors: amounts due within one year

	2014 £'000	2013 £'000
Trade debtors	450	526
Amounts due from group companies	-	28
Prepayments and accrued income	610	572
	<u>1,060</u>	<u>1,126</u>

### 10 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	1,010	678
Amounts owed to group companies	88	114
Other taxation and social security	479	434
Accruals and deferred income	770	657
Other creditors	13	41
	<u>2,360</u>	<u>1,924</u>

# Rocco Forte & Family (The Lowry Hotel) Limited

Notes forming part of the financial statements  
for the year ended 30 April 2014 (*continued*)

## 11 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	22,366	22,953

Amounts due to the parent company bear interest of 3.6%, and are repayable on 9 June 2015.

## 12 Called up share capital

	2014 Number	2013 Number	Allotted, called up and fully paid 2014 £'000	2013 £'000
Ordinary shares of £1 each	5,000,000	5,000,000	5,000	5,000

## 13 Profit and loss account

At 1 May 2013	(3,025)
Profit for the year	354

At 30 April 2014	(2,671)
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## 14 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the year	354	564
Net increase in shareholder's funds	354	564
Opening shareholder's funds	1,975	1,411
Closing shareholder's funds	2,329	1,975

# Rocco Forte & Family (The Lowry Hotel) Limited

## Notes forming part of the financial statements for the year ended 30 April 2014 (continued)

### 15 Related party transactions

The Company has taken advantage of the exemption contained in paragraph 3(c) of Financial Reporting Standard No. 8, not to disclose transactions with other wholly owned members of the group. Balances due to or from group undertakings are disclosed in notes 9 to 11.

### 16 Commitments and contingent liabilities

Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Expiry date:				
- within one year	-	-	-	28
- between two and five years	-	9	-	8
- after five years	134	-	126	-
	<u>134</u>	<u>8</u>	<u>126</u>	<u>36</u>

The Company is party to a group loan facility over which the Group's bankers have a cross guarantee secured by way of a fixed and floating charge on all the assets of the group companies. The amount outstanding on this facility at 30 April 2014 was £234,165,750 (2013 - £248,387,698).

### 17 Ultimate parent company and controlling party

At the year end the Company's immediate parent is Rocco Forte & Family (Luxury Hotels) Limited. Rocco Forte & Family Limited is the ultimate parent undertaking and controlling party. This is the only group in which the results of the Company are consolidated. Copies of the group financial statements of Rocco Forte & Family Limited are publicly available. The Hon Sir Rocco Forte, a director of Rocco Forte & Family Limited, and members of his close family, control the Company as a result of controlling directly or indirectly 99% of the issued share capital of Rocco Forte & Family Limited (2013 - 99%).