The Lowry Hotel Limited

(formerly known as Rocco Forte & Family (The Lowry Hotel) Limited)

Report and Financial Statements

Year Ended

30 April 2015

Company Number 3807696

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The Lowry Hotel Limited

Report and financial statements
for the year ended 30 April 2015

Contents

Page:

1	Strategic report
2	Report of the directors
3	Directors' responsibilities
4	Independent auditor's report
6	Profit and loss account
7	Balance sheet
8	Cash flow statement
9	Notes forming part of the financial statements

Directors

A J Fish
N S Kirk

Registered office

Hill House
1 Little New Street
London
EC4A 3TR

Company number

3807696

Auditors

BDO LLP, 31 Chertsey Street, Guildford, GU1 4HD

Bankers

Bank of Scotland, The Mound, Edinburgh, EH1 1YZ
Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN

Solicitors

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

The Lowry Hotel Limited

Strategic report
for the year ended 30 April 2015

Strategic report

The directors present their report and the financial statements of The Lowry Hotel Limited (the "Company") for the year ended 30 April 2015.

Business review

The performance of the Company has been in line with expectation. The Company generated revenue of £12.5m (2014: £11.8m) and a profit on ordinary activities before taxation of £1.0m for the year ended 30 April 2015 (2014: £0.4m).

On 3 September 2014, Rocco Forte & Family (Luxury Hotels) Limited sold its shares in the Company to North Low S.a.r.l., a company registered in Luxembourg.

On the same date, the Company took a bank loan with Abbey National Treasury Services Plc for £20.5m and fully repaid all amounts owed to Rocco Forte & Family (Luxury Hotels) Limited. A pledge over the shares of the Company and its assets are now held by Abbey National Treasury Services Plc.

On 4 September 2014, the Company changed its name from Rocco Forte & Family (The Lowry Hotel) Limited to The Lowry Hotel Limited.

A refurbishment programme has started and is expected to be completed in 2016. While this will impact trading in the next financial year, the directors expect the Company to benefit from the refurbishment in the future years.

Principal risks and uncertainties

Operating risks:

- Economic recession;
- Changes to industry and government regulations, including legislation on employees, environmental and health and safety; and
- Natural disasters.

The directors take a regular review on the Company's exposure to these risks.

Financial key performance indicators

The Company's EBITDA, as a measure of its key performance indicator (KPI), was £2.4m for the year ended 30 April 2015 (2014: £1.8m).

Approval

This strategic report was approved by the board and signed on its behalf.

A J Fish
Director

Date: 31-7-15

The Lowry Hotel Limited

Report of the directors
for the year ended 30 April 2015

The directors present their report and the financial statements of The Lowry Hotel Limited (the "Company") for the year ended 30 April 2015.

Principal activity

The principal activity of the Company is the operation and ownership of The Lowry Hotel, Salford, Greater Manchester.

Results

The profit for the year after taxation was £2.0m (2014: £0.4m).

Directors

The directors of the Company who served during the year were:

A J Fish (appointed 3 September 2014)
N S Kirk (appointed 3 September 2014)
R Forte (resigned 3 September 2014)
G Caldecott (resigned 3 September 2014)

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.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

AJ Fish

A J Fish
Director

Date 31-7-15

Directors' responsibilities

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 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.

TO THE MEMBERS OF THE LOWRY HOTEL LIMITED

We have audited the financial statements of The Lowry Hotel Limited for the year ended 30 April 2015 which comprise the profit and loss account, the balance sheet, the cash flow statement 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.

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 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 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

Date

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

The Lowry Hotel Limited

Profit and loss account
for the year ended 30 April 2015

	Note	2015 £'000	2014 £'000
Turnover	1	**12,510**	11,753
Cost of sales		**(6,304)**	(6,185)
Gross profit		**6,206**	5,568
Administrative expenses		**(4,435)**	(4,389)
Operating profit		**1,771**	1,179
Interest receivable and similar income		**5**	3
Interest payable and similar charges	2	**(825)**	(828)
Profit on ordinary activities before taxation	3	**951**	354
Tax on profit on ordinary activities	6	**1,018**	-
Profit for the year	14	**1,969**	354

All amounts relate to continuing activities.

There were no recognised gains or losses in the year other than those included in the profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.

The Lowry Hotel Limited

Balance sheet
at 30 April 2015

Company number 3807696	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Tangible fixed assets	7		**24,526**		24,840
Current assets					
Stocks	8	**152**		245	
Debtors due after one year	9	**1,019**		-	
Debtors due within one year	9	**1,408**		1,060	
Cash at bank and in hand		**1,981**		910	
		4,560		2,215	
Creditors: amounts falling due within one year	10	**(2,435)**		(2,360)	
Net current assets/(liabilities)			**2,125**		(145)
Total assets less current liabilities			**26,651**		24,695
Creditors: amounts falling due after more than one year	11		**(22,353)**		(22,366)
Net assets			**4,298**		2,329
Capital and reserves					
Called up share capital	12		**5,000**		5,000
Profit and loss account	13		**(702)**		(2,671)
Total shareholder's funds	14		**4,298**		2,329

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

A S Fish

A J Fish
Director

Date: 31-7-15

The notes on pages 9 to 18 form part of these financial statements.

The Lowry Hotel Limited

Cash flow statement
for the year ended 30 April 2015

	2015 £'000	2014 £'000
Net cash flow from operating activities (note 15)	**1,613**	2,331
Returns on investments and servicing of finance (note 16)	**(633)**	(825)
Capital expenditure and financial investments (note 16)	**(239)**	(351)
Cash flow before financing	**741**	1,155
Financing (note 16)	**(92)**	(587)
Increase in cash in the year	**649**	568

Reconciliation of net cash flow to movement in net debt
for the year ended 30 April 2015

	2015 £'000	2014 £'000
Net debt at beginning of year	**(21,456)**	(22,611)
Increase in cash in the year	**649**	568
Cash flow from movement in debt	**92**	587
Change in net debt resulting from cash flows	**741**	1,155
Other non-cash changes	**(79)**	-
Movement in net debt in the year	**662**	1,155
Net debt at 30 April	**(20,794)**	(21,456)

The notes on pages 9 to 18 form part of these financial statements.

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.

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.

Stocks

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

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 properties in sound condition and to a high standard. In accordance with FRS 15, the Company depreciates its long leasehold building over its useful economic life which is deemed to be 50-100 years, taking into account estimated residual value.

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.

1 Accounting policies *(continued)*

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

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. Where it is expected from the outset that the hirer will take up an option to purchase at the end of the lease, the asset is depreciated over its useful life, regardless of the lease term. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease, to produce a constant rate of charge on the balance of capital repayments outstanding.

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.

2 Interest payable and similar charges

	2015 £'000	2014 £'000
Payable to group undertakings	**337**	828
Amortisation of financing costs	**79**	-
Bank interest	**409**	-
	825	828

3 Profit on ordinary activities before taxation

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation:		
- owned	**634**	644
Operating lease rentals:		
- plant and machinery	**8**	8
- other	**134**	130
Auditor's remuneration:		
- for audit services	**17**	20
- for taxation services	**3**	3

4 Staff costs

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

	2015 Number	2014 Number
Operational	**170**	172
Sales	**5**	8
Administration	**15**	14
	190	194

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	**3,517**	3,465
Social security costs	**231**	254
Pension costs	**20**	2
	3,768	3,721

5 Directors' remuneration

The directors received no remuneration in respect of services to the Company during the year (2014: nil).

6 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax at 20.0% (2014 – 22.8%)	**1**	-
Deferred tax:		
Origination and reversal of timing differences	**(1,019)**	-
Total tax credit	**(1,018)**	-

Factors affecting the current tax charge for the year

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 as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**951**	354
Tax at 20.0% (2014 – 22.8%)	**190**	81
Effects of:		
Capital allowances (in excess of)/less than depreciation	**39**	(4)
Expenses not deductible for tax purposes	**6**	30
Utilisation of tax losses and tax losses carried forward	**(234)**	(107)
Current tax charge for the year	**1**	-

6 Tax on profit on ordinary activities *(continued)*

Deferred tax

The deferred tax balance is made up as follows:

	2015 £'000	2014 £'000
Accelerated capital allowances	(187)	-
Tax losses available	1,540	-
Other timing differences	(334)	-
	1,019	-

In the previous year, deferred tax assets of £1,774k in respect of tax losses available and deferred tax liabilities of £535k in respect of accelerated capital allowances and other timing differences were not provided for.

7 Tangible fixed assets

	Long leasehold buildings £'000	Furniture, fittings, equipment and computers £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost					
At 1 May 2014	22,059	5,692	5,591	-	33,342
Additions	-	156	15	68	239
Reclassification	-	81	-	-	81
Disposals	-	-	-	-	-
At 30 April 2015	**22,059**	**5,929**	**5,606**	**68**	**33,662**
Depreciation					
At 1 May 2014	1,049	4,589	2,864	-	8,502
Charge for the year	83	316	235	-	634
Disposal	-	-	-	-	-
At 30 April 2015	**1,132**	**4,905**	**3,099**	**-**	**9,136**
Net book value					
30 April 2015	**20,927**	**1,024**	**2,507**	**68**	**24,526**
At 1 May 2014	21,010	1,103	2,727	-	24,840

Included within the cost of long leasehold buildings is capitalised interest of £1,669k (2014: £1,669k).

8 Stocks

	2015 £'000	2014 £'000
Food and beverage	**120**	102
Other consumables	**32**	143
	152	245

9 Debtors

	2015 £'000	2014 £'000
Due after more than one year		
Deferred tax asset (note 6)	**1,019**	-
Due within one year		
Trade debtors	**627**	450
Amounts due from group companies (note 18)	**106**	-
Prepayments and accrued income	**675**	610
	1,408	1,060

10 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	**684**	1,010
Amounts owed to group companies (note 18)	**56**	88
Other taxation and social security	**453**	479
Accruals and deferred income	**816**	770
Bank overdraft	**422**	-
Other creditors	**3**	13
Tax liability	**1**	-
	2,435	2,360

11 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Amounts owed to group companies (note 18)	**2,384**	22,366
Bank loan	**20,500**	-
Capitalised financing costs	**(531)**	-
	22,353	22,366

In September 2014, the amounts owed to Rocco Forte & Family (Luxury Hotels) Limited of £22,366k were fully repaid. The Company took a bank loan of £20,500k which accrues interest at 3 months Libor plus a capped margin. The loan is payable in instalments from September 2016 until its maturity date of 3 September 2019. A pledge over the shares of the Company and its assets are now held by the bank.

The Company also took a loan of £2,384k from its immediate parent entity, North Low S.a.r.l. The loan is unsecured, accrues interest at 3 months Libor plus a fixed margin and is repayable on maturity date of 3 September 2019.

12 Called up share capital

	Allotted, called up and fully paid			
	2015 Number	2014 Number	2015 £'000	2014 £'000
Ordinary shares of £1 each	**5,000,000**	5,000,000	**5,000**	5,000

13 Profit and loss account

	£'000
At 1 May 2014	(2,671)
Profit for the year	1,969
At 30 April 2015	**(702)**

14 Reconciliation of movements in shareholders' funds

	2015 £'000	2014 £'000
Profit for the year	**1,969**	354
Net increase in shareholder's funds	**1,969**	354
Opening shareholder's funds	**2,329**	1,975
Closing shareholder's funds	**4,298**	2,329

15 Net cash flow from operating activities

	2015 £'000	2014 £'000
Operating profit	**1,771**	1,179
Depreciation of tangible fixed assets	**634**	661
(Increase) in stocks	**(15)**	(11)
(Increase)/decrease in debtors	**(321)**	66
(Decrease)/increase in creditors	**(456)**	436
Net cash flow from operating activities	**1,613**	2,331

16 Analysis of cash flows for headings netted in the cash flow statement

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Bank interest paid	**(357)**	-
Interest paid on shareholder loan	**(281)**	(828)
Interest received	**5**	3
	(633)	(825)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(239)**	(354)
Proceeds from the sale of assets	**-**	3
	(239)	(351)
Financing		
Repayment of old shareholder loan	**(22,366)**	(587)
New shareholder loan	**2,384**	-
Bank loan	**20,500**	-
Financing costs paid and capitalised	**(610)**	-
	(92)	(587)

17 Analysis of changes in net debt

	1 May 2014	Cash flow	Other non-cash changes	30 April 2015
	£'000	£'000	£'000	£'000
Cash	910	1,071	-	1,981
Overdraft	-	(422)	-	(422)
	910	649	-	1,559
Debt:				
Debts due over one year	(22,366)	92	(79)	(22,353)
Net debt	**(21,456)**	**741**	**(79)**	**(20,794)**

The non-cash movement represents the amortisation of finance costs capitalised.

18 Related party transactions

The Company has a loan principal balance of £2.384m and accrued interest of £56k payable to North Low S.a.r.l., its immediate parent entity, as at 30 April 2015. The Company also has a current balance receivable of £106k from North Low S.a.r.l.

For the period from 1 May 2014 to 3 September 2014, the Company incurred total fees of £284k (2014: £742k) in respect of services received and interest of £281k (2014: £828k) payable to Rocco Forte & Family (Luxury Hotels) Limited.

19 Operating lease commitments

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

	2015 Land and buildings	2015 Other	2014 Land and buildings	2014 Other
	£'000	£'000	£'000	£'000
Expiry date:				
- within one year	-	-	-	-
- between two and five years	-	9	-	9
- after five years	134	-	134	-
	134	9	134	9

20 Capital commitments

At 31 April 2015, the Company has capital expenditure commitments of £357k (2014: nil).

21 Ultimate parent company and controlling party

On 3 September 2014, Rocco Forte & Family (Luxury Hotels) Limited sold its shares in the Company to North Low S.a.r.l., a company registered in Luxembourg. Since that date, the Company's immediate parent and ultimate controlling party is North Low S.a.r.l.