

Company Registration No. 4045930

**Rocco Forte & Family (Hotel
Management) Limited**

Report and Financial Statements

30 April 2012

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Rocco Forte & Family (Hotel Management) Limited

Report and financial statements 2012

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Rocco Forte & Family (Hotel Management) Limited

Report and financial statements 2012

Officers and professional advisers

Directors

The Hon Sir Rocco J V Forte
The Hon Mrs Olga M L A Polizzi Di Sorrentino
Richard Power

Secretary

Richard Power (resigned 30 August 2012)

Registered office

70 Jermyn Street
London SW1Y 6NY

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Solicitors

Forsters LLP
31 Hill Street
London
W1J 5LS

Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Rocco Forte & Family (Hotel Management) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2012

Principal activity

The principal activity of the Company is the management of hotels

Business review and future developments

The Company managed a portfolio of eleven hotels during the year under review, located in the United Kingdom, Europe and the Middle East. In November 2011 the first Middle East managed hotel opened in Abu Dhabi. Further hotels, which are either directly or indirectly under management contracts, are due to open in Jeddah (2014), Luxor (2014), Marrakesh (2014) and Cairo (2016)

Results and dividends

The Company's profit after taxation for the 2012 was £198,000 (2011 £2,354,000). A dividend of £nil was paid during the year (2011 £6,000,000)

Key performance indicators

For the year ended 30 April 2012 turnover increased by 3%, however profit has decreased mainly due to fluctuating foreign exchange movements

As part of their regular performance reviews of the hotels, the directors closely monitor a number of non-financial performance indicators alongside the financial results

Risks and uncertainties

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

- Economic recession and the impact on domestic and international travel
- Continued access to financing and compliance with debt covenants
- Timely completion of hotel development and refurbishment projects within budget
- Competition from new hotel properties
- Currency, the future of the Euro and interest rate exposure (see financial instruments, below)
- Natural disasters, acts of terrorism and consequent impact upon domestic and international travel
- Competition from new hotel properties
- Litigation from parties with which the Group interacts
- Managing changes in key personnel and senior management
- Information technology systems security and data protection

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

Financial instruments

The company is susceptible to currency exposure which is managed at a Group level by Rocco Forte & Family Limited, the Company's ultimate parent

Directors

The names of the current directors of the Company are stated on page 1, all of whom served throughout the year except as noted

Rocco Forte & Family (Hotel Management) Limited

Directors' report

Events after the balance sheet date

During the year the Group's banking facilities were successfully renegotiated with the Bank of Scotland and these are now in place until June 2015. In addition, long term financing arrangements in relation to one of the Group's Italian subsidiaries are 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 in the event of default under the Group's facilities.

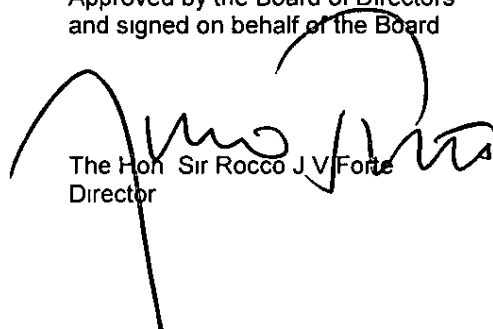
Discussions are proceeding with the Italian lender in a positive fashion and currently indicate that a long term financing solution can be achieved. Therefore, given the constructive ongoing discussions, the strong relationships that exist with the Group's banks and taking account of all options available 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.

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 their report and to establish that the Company's auditor is aware of that information.

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



The Hon Sir Rocco J.V. Forte
Director

Rocco Forte & Family (Hotel Management) Limited

Directors' responsibilities statement

The directors are responsible for preparing 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 judgments and accounting estimates that are reasonable and prudent, and
- 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.

Independent auditor's report to the members of Rocco Forte & Family (Hotel Management) Limited

We have audited the financial statements of Rocco Forte & Family (Hotel Management) Limited for the year ended 30 April 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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 17 it is party to a group loan facility over which the Group's bankers have a cross guarantee. During the year, the Group's main banking facilities were successfully renegotiated; however the Group has separate financing arrangements for one of its Italian subsidiaries where financial progress has been slower than required to meet the terms of the existing facilities, and as a result these are currently being renegotiated. This, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about 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.

Independent auditor's report to the members of Rocco Forte & Family (Hotel Management) Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

PKF(UK)LLP

Stuart Collins (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

29 January 2013

Rocco Forte & Family (Hotel Management) Limited

Profit & Loss Account Year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	8,640	8,416
Administrative expenses		(8,433)	(6,068)
Operating profit	3	<u>207</u>	<u>2,348</u>
Interest receivable and similar income	6	19	19
Interest payable and similar charges	6	(28)	(31)
Profit on ordinary activities before taxation		<u>198</u>	<u>2,336</u>
Tax on profit on ordinary activities	7	-	18
Profit on ordinary activities after taxation	14	<u>198</u>	<u>2,354</u>

All amounts relate to continuing activities

Rocco Forte & Family (Hotel Management) Limited

Statement of total recognised gains and losses Year ended 30 April 202

	Note	2012 £'000	2011 £'000
Profit for the year		198	2,354
Currency translation difference on foreign currency net investments	13	19	(72)
Currency translation difference on related borrowings	13	(19)	72
Total recognised gains and losses for the year		<u>198</u>	<u>2,354</u>

Rocco Forte & Family (Hotel Management) Limited
Company Registration No. 4045930

Balance sheet
As at 30 April 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	8	802	783
Current assets			
Debtors due within one year	9	4,402	5,110
Cash at bank and in hand		3,530	7,370
		<u>7,932</u>	<u>12,480</u>
Creditors: amounts falling due within one year	10	(5,030)	(9,809)
Net current assets		<u>2,902</u>	<u>2,671</u>
Total assets less current liabilities		3,704	3,454
Creditors: amounts falling due after more than one year	11	(1,046)	(994)
Net assets		<u>2,658</u>	<u>2,460</u>
Capital and reserves			
Called up share capital	12	-	-
Foreign exchange reserve	13	1	1
Profit and loss account	14	2,657	2,459
Shareholder's funds	15	<u>2,658</u>	<u>2,460</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 January 2013


The Hon Sir Rocco J.V. Forte
Director

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

1 Accounting policies

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

Basis of preparation

During the year the Group's banking facilities were successfully renegotiated with the Bank of Scotland and these are now 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 17 the company is party to a group loan facility with Bank of Scotland. In the event that revised long term facilities are not agreed, this may give rise to Bank of Scotland exercising their rights in the event of default under the Group's facilities.

Discussions with the Italian lender are proceeding in a positive fashion and currently indicate that a long term financing solution can 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.

Cash flow statement

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.

Exemption from preparation of group accounts

The Company has taken advantage of section 400 of the Companies Act 2006 and elected not to prepare consolidated accounts as it is included in the consolidated accounts of a larger group. Accordingly these financial statements show company only results and not those of the group.

Investments

Fixed asset investments are shown at cost less provisions for impairment in accordance with FRS 11.

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas operations are normally translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets, and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Company's investment in such operations, are dealt with through reserves.

Related party disclosures

As a subsidiary undertaking 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 headed by Rocco Forte & Family Limited.

Taxation

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

Turnover

Turnover, which excludes Value Added Tax, represents amounts receivable for hotel management services provided in the normal course of business. Turnover is recognised as the services are provided.

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

2 Segmental information

Geographical segmentation

	2012			
	UK £'000	Europe £'000	Middle East £'000	Total Company £'000
Turnover				
Continuing operations	1,981	6,469	190	8,640
	<hr/>	<hr/>	<hr/>	<hr/>
	2011			
	UK £'000	Europe £'000	Middle East £'000	Total Company £'000
Turnover				
Continuing operations	1,985	6,431	-	8,416
	<hr/>	<hr/>	<hr/>	<hr/>

All results derive from the provision of hotel management services

3 Operating profit

	2012 £'000	2011 £'000
Operating profit is stated after charging		
Auditor's remuneration		
- audit services	9	8
	<hr/>	<hr/>

4 Staff costs

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

	2012 No	2011 No.
Administration	19	16
Sales	13	12
	<hr/>	<hr/>
	32	28
	<hr/>	<hr/>

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

4. Staff costs (continued)

Their aggregate remuneration comprised

	2012 £'000	2011 £'000
Wages and salaries	3,450	3,049
Social security costs	431	339
	<u>3,882</u>	<u>3,338</u>

5 Directors' remuneration

The remuneration of the directors was as follows

	2012 £'000	2011 £'000
Executive directors	689	737
	<u>689</u>	<u>737</u>

The highest paid director received £325,000 (2011 £350,000)

6 Interest

Interest receivable and similar income	2012 £'000	2011 £'000
Interest received from group undertakings	19	19
	<u>19</u>	<u>19</u>

Interest payable and similar charges	2012 £'000	2011 £'000
Interest payable to group undertakings	28	31
	<u>28</u>	<u>31</u>

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

7. Tax on profit on ordinary activities

Tax (credit) / charge for the year comprises

	2012 £'000	2011 £'000
UK corporation tax at 25.8% (2011: 27.8%)	-	(18)
Deferred tax		
Origination and reversal of timing differences charge	-	-
Total tax charge	-	(18)

There are unrecognised deferred tax assets as follows

	2012 £'000	2011 £'000
Other timing differences	13	32
Unrecognised deferred tax asset	13	32

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

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	198	2,336
Tax at 25.8% (2011: 27.8%)	51	649
Effects of		
Expenses not deductible for tax purposes	-	10
Group relief claimed	(51)	(659)
Prior year	-	(18)
Current tax (credit) / charge for the year	-	(18)

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

8 Fixed asset investments

The Company has investments in the following undertakings

	Country of incorporation or principal business address	Principal activity	Holding and voting %
RF Hotels International Sales Limited	Switzerland	Hotel Management	100.0
RF Hotels Italy Services SRL	Italy	Hotel Management	95.0
Rocco Forte & Family (Hotel Management) SAE	Egypt	Hotel Management	0.5

£'000

Cost

At 1 May 2011

783

Exchange movements

19

At 30 April 2012

802

9 Debtors: due within one year

	2012 £'000	2011 £'000
Trade debtors	-	154
Amounts owed by group undertakings	4,389	4,184
Amounts owed by related party undertakings	-	762
Prepayments and accrued income	13	10
	4,402	5,110

10. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	-	-
Accruals and deferred income	262	226
Amounts owed to group undertakings	4,760	9,546
Amounts owed to related party undertakings	-	16
Other creditors including taxation and social security	8	21
	5,030	9,809

11. Creditors: amounts falling due after one year

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

	2012 £'000	2011 £'000
Amounts due to group undertakings	1,046	994
	<u>1,046</u>	<u>994</u>
Amounts due to group undertakings falling due after one year bear interest at a rate of 2.8% and are repayable on 30 April 2014		
12. Called up share capital	2012 £'000	2011 £'000
Called up, allotted		
2 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>
13 Foreign exchange reserve		
		£'000
At 1 May 2011		1
Currency translation difference on foreign currency net investments		19
Currency translation difference on related borrowings		(19)
At 30 April 2012		<u>1</u>
		<u>1</u>
14 Profit and loss account		
		£'000
At 1 May 2011		2,459
Profit for the year		198
At 30 April 2012		<u>2,657</u>
		<u>2,657</u>

Rocco Forte & Family (Hotel Management) Limited

Notes to the accounts Year ended 30 April 2012

15. Reconciliation of movements in shareholder's funds

	2012	2011
	£'000	£'000
Profit for the year	198	2,354
Dividends	-	(6,000)
Net increase / (decrease) to shareholder's funds	198	(3,646)
Opening shareholder's funds	2,460	6,106
Closing shareholder's funds	2,658	2,460

No dividends were paid during the year (2011 £6,000,000)

16 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, 10 and 11.

17 Contingent liabilities

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 certain assets of the group companies. The amount outstanding on this facility at 30 April 2012 was £247,462,131 (2011 £101,575,000). The outstanding amount has increased following the acquisition of the Rocco Forte & Family (Luxury Hotels) Limited group by Rocco Forte & Family Limited as the company is now subject to cross guarantee in respect of the enlarged group's bank debt.

18 Ultimate holding company and controlling party

The Company's immediate and ultimate parent company is Rocco Forte & Family Limited. This is also the largest and the smallest group in which the results of the Company are consolidated and for which group accounts are drawn up. 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 (2011 93%).