Company Registration No. 3277921

Rocco Forte & Family Limited

Report and Financial Statements

30 April 2012



Rocco Forte & Family Limited

Report and financial statements 2012

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Rocco Forte & Family Limited

Report and financial statements 2012

Officers and professional advisers

Directors

The Hon Sir Rocco JV Forte	
The Hon Mrs Olga MLA Polizzi Di Sorrentino	
The Hon Portia MLC Forte*	
George FL Proctor*	(resigned 26 June 2012)
Lady Aliai Forte*	
David H Nelson*	
Richard Power	
Karim Naffah	
Alan Clark	
Roberto Mendoza *	(appointed 22 June 2011)
John Walker-Haworth*	(appointed 25 April 2012)

*Non-executive

Secretary

Rachel Hedden

Registered office

70 Jermyn Street
London SW1Y 6NY

Solicitors

Forsters LLP
31 Hill Street
London
W1J 5LS

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Auditor

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

Rocco Forte & Family Limited

Directors' report

The directors present their annual report on the affairs of the Group, together with the accounts and the independent auditor's report for the year ended 30 April 2012

Principal activity

The principal activity of the Group is the ownership, management and operation of hotels in Europe, Russia, North Africa and the Middle East The subsidiary undertakings affecting the results and net assets of the Group in the year are listed in note 12 to the accounts The Group operated thirteen hotels during the year, with like-for-like (excluding new hotels and currency movements) system revenues of £186 0m (2011 £176 4m) in aggregate

Financial results and dividends

Trading during the financial year benefited from a combination of an improvement in the global economy and the success of marketing initiatives undertaken Leisure demand has continued its significant growth trend, whereas corporate demand has been more muted as businesses review their travel arrangements Market share gains were achieved in the majority of our local markets Operating costs have been carefully managed, whilst taking care to maintain the highest level of service delivery standards Therefore, like-for-like hotels increased trading profits by 11% compared to the prior year and the Group cashflow was positive

Reported turnover for the Group at £185 3m was up 25% on the previous year primarily driven by the acquisition of the remaining 50% interest in the Rocco Forte & Family (Luxury Hotels) Limited joint venture group early in the year Profit before interest, tax, depreciation, amortisation and impairments (PBITDA) improved by £8 1m to £24 3m (2011 £16 2m)

The loss on ordinary activities before taxation reduced to £9 3m (2011 £9 6m) Loss after tax and minority interests was £11 2m (2011 £11 6m)

The directors do not recommend the payment of a dividend (2011 £nil)

Trading in the year beginning 1 May 2012

Trading during the 2012/13 financial year has further benefited from the successful marketing of the hotels within a still uncertain global economy The strong relationships that the group has developed over the years with key travel agents, coupled with the maintenance of the highest levels of guest service, has resulted in hotel sales for the eight months to December 2012 increasing by 5% on a like-for-like basis, with Christmas period performance being particularly strong Hotel PBITDA is up 7% on the previous year on a like-for-like basis

Business strategy and future developments

The directors' strategy is focused primarily on continuing to develop the operational performance of the hotels and to drive additional revenues and cashflows

Over the last 15 years we have developed a good network of properties, a powerful brand, a database exceeding 1 2m customers, a global reservations system and a strong management capability This is enabling us to pursue management contracts on a more proactive basis, which is our preferred strategy for development in the future

Our next opening will be in Jeddah where we have a contract to design and manage a 209 bedroom hotel and 94 serviced apartments in an outstanding location and a strong market We are on schedule to open in 2014 Under our contract with the Egyptian government to manage the Shepheard in Cairo and the Luxor Hotel, progress on conversion has been slowed due to the political situation We expect the Shepheard, which we are presently managing as a mid-market hotel outside our brand, will close in 2013 and re-open in 2016 as a luxury hotel within the Rocco Forte Hotels brand The Luxor Hotel, which is presently closed, is now scheduled to open in 2014/15 The ownership of the Assoufid Golf Hotel and

Directors' report

Resort in Marrakech, for which we have a management contract, has changed hands and the timetable for opening is being reviewed

Key performance indicators

For the year ended 30 April 2012, occupied rooms were up 8% in like-for-like hotels, and average room rates remained constant, resulting in revenue per available room ("RevPar") growth of 8%

For the first eight months of the 2012/13 financial year, to December 2012, we achieved RevPar growth of 6% on a like-for-like basis driven by an increase in occupancy

As part of their regular performance reviews of the hotels, the directors closely monitor a number of non-financial performance indicators alongside their financial results These include independent assessments of service quality against operational service standards, customer comment cards, direct research with customers and staff surveys

The Group is committed to minimising the impact of its hotels on the environment in a sensible way, particularly by energy-saving initiatives at each hotel

Joint venture with Bank of Scotland

During the year ended April 2002, Rocco Forte & Family Limited and Uberior Ventures Limited (a wholly-owned subsidiary of Bank of Scotland) formed a joint venture company, Rocco Forte & Family (Luxury Hotels) Limited, to build or acquire luxury hotels in prime European cities

On 27 May 2011 the Company acquired the Uberior Venture Limited shares in the Joint Venture vehicle thereby becoming the sole shareholder of Rocco Forte & Family (Luxury Hotels) Limited and its subsidiaries

Rocco Forte & Family (Luxury Hotels) Limited and its subsidiaries have been consolidated from the acquisition date utilising the acquisition accounting method In 2011 and up to the date of the transaction the Group was consolidated as a joint venture using the gross equity method

The Group's share of losses on ordinary activities after interest and taxation for the period to 27 May 2011, in relation to the Joint Venture, was £nil (2011 loss of £6 2m which included non-cash losses of £2 6m in respect of onerous lease contracts)

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

The Group has separate financing arrangements for one of its Italian subsidiaries with Unicredit Banca d'Impresa S p A in relation to Sir Rocco Forte & Family (Mediterranea Golf & Resort) S p A ("Mediterranea") During the financial year the resort continued to establish itself in the marketplace The company continued to develop the facilities of the resort and the levels of service given to its customers, with repeat business of 30% 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 Mediterranea are currently being renegotiated with Unicredit Banca d'Impresa S p A , interest and capital payments have been deferred pending final agreement

Discussions are moving forward in a positive fashion and subsequent to the year end an initial response has been received from the bank to the Company's original proposal This indicates that a long term financing solution can be achieved 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 Given the strong relationships that exist with both Unicredit Banca d'Impresa S p A and Bank of Scotland, and the constructive ongoing discussions with both banks, the directors are of the opinion that the necessary funding for Mediterranea will be secured

Directors' report

As a result, 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

At year end the Group reported net current liabilities of £311 8m By assuming the successful renegotiation with the Italian lender for Mediterranea and therefore reflecting the Group and Mediterranea's facilities as long term on a proforma basis as at 30 April 2012, the Group would have had a net current asset position of £3 8m

	2012 Proforma Group £'000	2012 Proforma Company £'000
Fixed assets	441,945	107,853
Current assets	64,976	92,957
Creditors amounts falling due within one year	(61,222)	(5,724)
Net current assets including debtors due after one year	3,754	87,233
Total assets less current liabilities	445,699	195,086
Creditors amounts falling due after more than one year	(358,145)	(111,152)
Provisions for liabilities and charges	(9,674)	-
Net assets	77,880	83,934

Subsequent to the year end we have negotiated the early termination of our onerous lease in Prague, where market conditions are expected to continue to be very tough for the foreseeable future The disengagement of Rocco Forte Hotels from the management of this property is in the final stages of completion

Risks and uncertainties

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

- Economic recession and the impact on domestic and international travel
- Continued access to financing and compliance with debt covenants
- Currency, the future of the Euro and interest rate exposure (see financial instruments, below)
- Timely completion of hotel development and refurbishment projects within budget
- The impact of any substantial reduction in hotel real estate values
- 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

Directors' report

Financial instruments

The Group periodically holds financial instruments to finance its operations and to manage the interest rate and currency risks arising from its operations and its sources of income The Group finances its operations by a mixture of cash flows from operations and short and long term borrowings from banks The Group borrows principally in Euros, US Dollars and Sterling, at both floating and fixed rates of interest, using financial instruments ('derivatives'), where appropriate, to generate the desired effective currency profile and interest rate basis The derivatives that may be used for this purpose include foreign exchange forwards and swaps, interest rate swaps, interest rate caps and collars, and interest rate options

The main risks arising from the Group's financial investments are interest rate risk, liquidity and refinancing risk, and foreign currency risk These risks are managed by Group Finance, under the control of the Finance Director and within policies approved by the Board The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to these risks

As the counterparties to the Group's financial instruments are its bankers, it is exposed to minimal credit and liquidity risks in respect of these instruments

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or result

Directors

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

Supplier payment policy

The Company's policy, which is also applied to the Group, is to agree the terms of payment with suppliers in advance of concluding any transactions, and to ensure that suppliers are paid in accordance with the agreed terms Trade creditors of the Company at 30 April 2012 were equivalent to 15 days (2011 13 days) purchases, based on the average daily amount invoiced by suppliers during the year

Charitable and political contributions

During the year the Group made no charitable or political donations (2011 £nil) but the individual hotels play an active part in their communities and support many charities with gifts in kind

Employee consultation and development

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group Each year we bring together the top 100 managers within the Group to discuss policy, people and performance There are also formal and informal meetings throughout the year, and staff surveys are undertaken Employees are consulted regularly on a wide range of matters affecting their current and future interests Our policy is to develop our people and provide them with promotion opportunities, particularly as our hotel portfolio grows

Disabled employees

Applications for employment by disabled persons are always fully considered In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

Rocco Forte & Family Limited

Directors' report

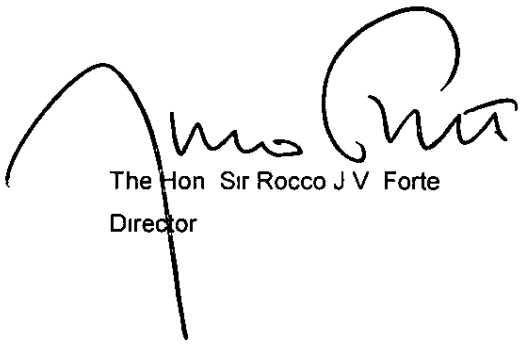
Provision of information to auditor

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

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 the Group and of the profit or loss of the Company and the Group 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,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group 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 Limited

We have audited the financial statements of Rocco Forte & Family Limited for the year ended 30 April 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and Company balance sheets, the consolidated 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 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 Group's and the parent 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 Group's and the parent Company's affairs as at 30 April 2012 and of the Group's loss 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 parent Company's and Group's ability to continue as a going concern 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 These conditions, 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 parent Company and Group's ability to continue as a going concern The financial statements do not include the adjustments that would result if the parent Company and Group were unable to continue as a going concern

Independent auditor's report to the members of Rocco Forte & Family 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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 Limited

Consolidated profit and loss account
Year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Turnover: group and share of joint ventures	2	185,258	148,612
Turnover continuing and share of joint ventures		107,913	148,612
Less share of joint ventures	13	(3,340)	(44,634)
Group turnover - continuing		104,573	103,978
Group turnover - acquisitions	28	77,345	-
Group turnover		181,918	103,978
Cost of sales		(83,377)	(45,495)
Gross profit		98,541	58,483
Administrative expenses		(87,410)	(50,288)
Group operating profit before the following:		24,249	16,181
Depreciation and amortisation	4	(13,118)	(10,385)
Release of provision for onerous leases	20	-	2,399
Group operating profit continuing		7,109	8,195
Group operating profit acquisitions	28	4,022	-
Group operating profit		11,131	8,195
Share of operating profit in joint ventures	13	304	2,949
Share of provision for onerous leases in joint venture		-	(2,646)
Share of profit on joint venture fixed asset disposal		-	305
Profit before interest and taxation	2	11,435	8,803
Interest receivable and similar income			
Group		344	306
Joint ventures		-	25
Interest payable and similar charges			
Group	3	(20,736)	(12,027)
Joint ventures		(304)	(6,725)
Loss on ordinary activities before taxation	4	(9,261)	(9,618)
Tax charge on loss on ordinary activities	7	(1,218)	(1,368)
Share of joint venture's taxation payable	7	-	(74)
Loss on ordinary activities after taxation		(10,479)	(11,060)
Minority interests	24	(721)	(513)
Loss for the year	22	(11,200)	(11,573)

All results for the group relate to continuing operations

Rocco Forte & Family Limited

Consolidated statement of total recognised gains and losses
Year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Loss for the year			
Group		(11,200)	(5,407)
Joint ventures	13	-	(6,166)
		(11,200)	(11,573)
Translation differences on foreign currency net investments	23	3,920	(945)
Revaluation on acquisition of remaining joint venture interest	22	45,716	-
Total recognised gains / (losses) relating to the year		38,436	(12,518)

Rocco Forte & Family Limited
Company Number 3277921

Consolidated balance sheet
30 April 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Positive goodwill	10	9,650	10,581
Negative goodwill	10	(35,017)	(1,835)
		(25,367)	8,746
Other intangible fixed assets	10	93	194
Intangible fixed assets		(25,274)	8,940
Tangible fixed assets	11	467,206	260,051
Investments	12	13	36
Investment in joint venture			
Share of gross assets		-	81,300
Share of gross liabilities		-	(82,236)
	13	-	(936)
		441,945	268,091
Current assets			
Stocks	14	4,059	2,730
Debtors due within one year	15	22,306	15,513
Debtors due after one year	16	7,056	12,658
Cash at bank and in hand		31,555	11,968
		64,976	42,869
Creditors amounts falling due within one year	17	(376,794)	(150,789)
Net current liabilities including debtors due after one year		(311,818)	(107,920)
Total assets less current liabilities		130,127	160,171
Creditors amounts falling due after more than one year	18	(42,573)	(115,503)
Provisions for liabilities and charges	20	(9,674)	(5,548)
Net assets		77,880	39,120
Capital and reserves			
Called up share capital	21	65,920	69,026
Merger reserve	22	7,288	7,181
Own shares held by EBT	22	(649)	(649)
Revaluation reserve	22	45,716	-
Profit and loss account	22	(61,921)	(53,351)
Foreign exchange reserve	22	4,566	753
Equity shareholders' funds	23	60,920	22,960
Minority interests	24	16,960	16,160
Total capital employed		77,880	39,120

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 Limited
Company Number 3277921

Company balance sheet
30 April 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	11	40,854	39,824
Investments	12	66,999	56,774
		107,853	96,598
Current assets			
Stocks	14	425	425
Debtors due within one year	15	879	1,387
Debtors due after one year	16	75,605	81,120
Cash at bank and in hand		16,048	14,181
		92,957	97,113
Creditors: amounts falling due within one year	17	(115,505)	(110,609)
Net current liabilities including debtors due after one year		(22,548)	(13,496)
Total assets less current liabilities		85,305	83,102
Creditors: amounts falling due after more than one year	18	(1,371)	-
Net assets		83,934	83,102
Capital and reserves			
Called up share capital	21	65,920	69,026
Merger reserve	22	(502)	(502)
Profit and loss account	22	18,672	15,434
Foreign exchange reserve	22	(156)	(856)
Equity shareholders' funds and total capital employed	23	83,934	83,102

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 Limited

Consolidated cash flow statement
Year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	25	41,443	32,506
Returns on investments and servicing of finance	26	(23,286)	(11,574)
Taxation	26	(1,399)	(1,596)
Capital expenditure and financial investment	26	(9,790)	(6,036)
Acquisitions and disposals (net)	26	4,671	(22)
Cash inflow before management of liquid resources and financing		11,639	13,278
Financing	26	7,948	(6,560)
Increase in cash in the year	27	19,587	6,718

Reconciliation of net debt	Notes	2012 £'000	2011 £'000
Increase in cash in the year – continuing	27	14,916	6,718
Subsidiary acquisition	27	4,671	-
Increase in cash in the year		19,587	6,718
Cash (inflow) / outflow from movement in debt	27	(4,734)	7,888
Change in net debt resulting from cash flows		14,853	14,606
Subsidiary acquisition	27	(139,257)	-
Non-cash movements	27	(796)	(2,568)
Exchange movement	27	12,885	(1,242)
Movement in net debt for the year		(112,315)	10,796
Net debt at 1 May 2011		(191,136)	(201,932)
Net debt at 30 April 2012	27	(303,451)	(191,136)

Rocco Forte & Family 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

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

The Group reported a loss for the year and net current liabilities of £311 8m as at 30 April 2012

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 Mediterranea are currently being renegotiated with its Italian lender As described in note 18 the Company is party to a group loan facility with Bank of Scotland In the event that revised long term facilities are not agreed with the Italian lender, this may give rise to Bank of Scotland exercising their rights in the event of default under the Group's facilities and consequently the Group and Mediterranea's bank borrowings are reported as current liabilities By assuming the successful renegotiation with the Italian lender and therefore reflecting the Group and Mediterranea's facilities as long term on a proforma basis as at 30 April 2012, the Group would have had a net current asset position of £3 8m

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

Basis of consolidation

The Group financial statements consolidate the accounts of Rocco Forte & Family Limited and its subsidiary undertakings ("the Group") drawn up to 30 April 2012 The results of subsidiaries are consolidated for the period during which they are within the Group Subsidiaries are accounted for under the acquisition method Joint venture results are accounted for under the gross equity method

Intangible fixed assets

Goodwill arising on the acquisition of undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised over its estimated useful economic life, not exceeding 20 years

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through amortisation or sale Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit, not exceeding 42 5 years (see note 10)

Other intangible fixed assets are amortised over their useful economic lives

1 **Accounting policies (continued)**

Tangible fixed assets and depreciation

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

It is the Group's policy to maintain its properties in sound condition, to a high standard and to extend and improve selected properties from time to time The Group depreciates freehold buildings over their useful economic lives which are deemed to be no longer than 100 years taking into account estimated residual values, carrying out annual impairment reviews The Group takes into account the shorter life assets within its buildings when calculating its depreciation charge The Group depreciates leasehold buildings over the period of the lease taking into account estimated residual values No depreciation is provided in respect of freehold land

Furniture, furnishings and equipment are depreciated evenly at rates between 4% per annum and 33% per annum as considered appropriate to their estimated useful economic lives It is the Group's policy not to provide depreciation on assets in the course of construction

Items of plant and machinery are depreciated on a straight line basis, at rates of between 4% per annum and 7% per annum as considered appropriate to their estimated useful economic lives

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

Government grants

Government grants are recognised as deferred income on the balance sheet and amortised over the useful economic lives of the fixed assets to which they relate Grants are not recognised until the conditions for their receipt have been complied with and in the event that a grant appears likely to have to be repaid, provision is made for the estimated liability

Investments

Except in the case of joint venture undertakings, fixed asset investments are shown at cost less provision for impairment

Joint ventures

Investments in joint ventures are accounted for using the gross equity method The consolidated profit and loss account includes the Group's share of the joint venture's profit or loss, while the Group's share of the assets and liabilities of the joint venture are shown in the consolidated balance sheet

Stocks

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

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

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 year 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 (or the revaluation of investments in foreign enterprises in the Company) and on foreign currency borrowings, to the extent that they hedge the investment in such operations, are dealt with through reserves (see note 22)

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 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

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

Issue costs

Costs incurred directly in connection with the issue of debt instruments are accounted for as a reduction in the carrying value of the associated instrument, and are charged in the profit and loss account over the life of the instrument as interest payable

Employee Benefit Trust

The Group has established an Employee Benefit Trust The terms of the Trust allow the trustees to provide benefits to employees of the Group as the trustees may in their discretion decide The assets and liabilities of the Trust are recognised as assets and liabilities of the Group The amount of the Company's own shares held by the Employee Benefit Trust is represented by a deduction in shareholders funds

Rocco Forte & Family Limited

Notes to the accounts
Year ended 30 April 2012

2 Segmental information

Geographical segmentation

	2012			
	UK £'000	Europe & Russia £'000	MENA* £'000	Total Group £'000
Turnover				
- Group	51,191	130,581	146	181,918
- Share of joint ventures	1,277	2,063	-	3,340
	52,468	132,644	146	185,258
Profit / (loss) before interest and taxation				
- Group	6,603	4,649	(121)	11,131
- Share of joint ventures	272	32	-	304
	6,875	4,681	(121)	11,435
Net assets / (liabilities)				
- Group	96,347	(20,201)	1,734	77,880

	2011			
	UK £'000	Europe &Russia £'000	MENA* £'000	Total Group £'000
Turnover				
- Group	23,062	80,664	252	103,978
- Share of joint ventures	16,789	27,845	-	44,634
	39,851	108,509	252	148,612
Profit / (loss) before interest and taxation				
- Group	565	7,578	52	8,195
- Share of joint ventures	2,521	(1,913)	-	608
	3,086	5,665	52	8,803
Net assets / (liabilities)				
- Group	46,493	(7,745)	1,308	40,056
- Share of joint ventures	8,562	(9,498)	-	(936)
	55,055	(17,243)	1,308	39,120

The directors believe there is no material difference between segmental information by source and destination All results derive from the provision of hotel services

* Middle East and North Africa

Notes to the accounts
Year ended 30 April 2012

3 Interest payable and similar charges

	2012 £'000	2011 £'000
Group bank loans and overdrafts	20,358	11,871
Finance lease interest	102	17
Foreign exchange	276	139
	20,736	12,027

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging / (crediting)

	2012 £'000	2011 £'000
Depreciation		
- on owned assets	14,853	10,016
- on leased assets	95	125
Net amortisation of goodwill	(951)	962
Amortisation of intangible assets	102	114
Grant income amortisation	(981)	(832)
Operating lease rentals		
- land and buildings	17,363	8,991
- plant and machinery	107	-
Fees payable to the Company's auditors for the audit of the Company's annual accounts	49	41
Fees payable to the Company's auditors and its associates for other services		
- the audit of the Company's subsidiaries pursuant to legislation	347	185
- taxation services	134	86

Notes to the accounts
Year ended 30 April 2012

5. Staff costs

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

	2012 No	2011 No.
Administration	223	137
Sales	123	64
Operational	1,909	1,107
	2,255	1,308

Their aggregate remuneration comprised

	2012 £'000	2011 £'000
Wages and salaries	52,282	27,813
Social security costs	10,114	6,045
	62,396	33,858

6 Directors' remuneration

The remuneration of the directors was as follows

	2012 £'000	2011 £'000
Executive directors	1,451	1,681
Non-executive directors	96	71
	1,547	1,752

The highest paid director received £425,000 (2011 £492,000)

Pensions

None of the directors were members of a Company pension scheme during the current or prior year

Notes to the accounts
Year ended 30 April 2012

7 Tax on loss on ordinary activities

The tax charge for the year comprises	2012 £'000	2011 £'000
Current tax		
UK corporation tax at 25 8% (2011 27 8%)	-	-
Adjustments in respect of prior periods	-	(18)
Foreign tax	1,405	1,598
	1,405	1,580
Deferred tax		
Origination and reversal of timing differences	(408)	(167)
Exchange differences taken to reserves	221	(45)
	(187)	(212)
	1,218	1,368
Joint ventures	-	74
Total tax charge	1,218	1,442

Deferred tax is provided as follows	2012 £'000	2011 £'000
Group		
Accelerated capital allowances	(2,480)	(2,866)
Other timing differences	(2,504)	(2,527)
Deferred tax liability (see note 20)	(4,984)	(5,393)
Company		
Accelerated capital allowances	-	-
Deferred tax liability (see note 20)	-	-

Notes to the accounts
Year ended 30 April 2012

7 Tax on loss on ordinary activities (continued)

Liability reconciliation	2012 £'000	2011 £'000
Group		
Opening deferred tax liability	(5,393)	(5,559)
Credit for the year	187	212
Exchange differences	222	(46)
Closing deferred tax liability	(4,984)	(5,393)
Company		
Opening deferred tax liability	-	-
Credit for the year	-	-
Closing deferred tax liability	-	-

There are unrecognised deferred tax assets as at 30 April 2012 as follows

Group	2012 £'000	2011 £'000
Accelerated capital allowances	(73)	675
Tax loss available	10,238	1,286
Other timing differences	5	32
Unrecognised deferred tax asset	10,170	1,993

Company	2012 £'000	2011 £'000
Accelerated capital allowances	327	604
Tax loss available	202	300
Unrecognised deferred tax asset	529	904

Notes to the accounts
Year ended 30 April 2012

7 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 loss before tax is as follows

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(9,261)	(9,618)
Add Share of joint ventures loss before tax	-	6,092
Group loss on ordinary activities before tax	(9,261)	(3,526)
Tax at 25 8% (2011 27 8%)	(2,389)	(980)
Effects of		
Capital allowances in excess of depreciation	(157)	131
Expenses not deductible for tax purposes	768	326
Utilisation of tax losses and tax losses carried forward	1,286	(313)
Movement in short term timing differences	1,377	1,633
Difference in tax rates on overseas earnings	410	309
Amortisation of intangible fixed assets	25	348
Overseas tax suffered	121	144
Double tax relief	(21)	-
Adjustment in respect of prior years	(15)	(18)
Group current tax charge	1,405	1,580

8. Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of Rocco Forte & Family Limited was £608,000 (2011 £5,345,000 due to dividends receipts) As provided by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of Rocco Forte & Family Limited

9 Dividends paid

The Company did not make a payment of a dividend during the year (2011 £nil)

Notes to the accounts
Year ended 30 April 2012

10. Intangible fixed assets

Group

	Positive goodwill subsidiary undertakings £'000	Negative goodwill subsidiary undertakings £'000	Other intangible fixed assets £'000	Total £'000
Cost				
At 1 May 2011	19,761	(2,460)	776	18,077
On acquisition of subsidiary (note 28)	(3)	(35,157)	1	(35,159)
Disposals	-	-	(1)	(1)
Exchange movement	245	(64)	1	182
At 30 April 2012	20,003	(37,681)	777	(16,901)
Amortisation				
At 1 May 2011	9,180	(625)	582	9,137
Charge for the year	1,072	(2,023)	102	(849)
Exchange movement	101	(16)	-	85
At 30 April 2012	10,353	(2,664)	684	8,373
Net book value				
At 30 April 2012	9,650	(35,017)	93	(25,274)
At 30 April 2011	10,581	(1,835)	194	8,940

Negative goodwill is being written back to the profit and loss account on a straight-line basis over a period which is equal to the period over which the related non-monetary assets of the acquired business are being depreciated Other intangibles relate to certain capitalised licence fees which are amortised over their respective lives

Notes to the accounts
Year ended 30 April 2012

11 Tangible fixed assets

Group	Land and buildings: Freehold £'000	Land and buildings: Long leasehold £'000	Plant and machinery £'000	Furniture, furnishings and equipment £'000	Assets in course of construction £'000	Total £'000
Cost						
At 1 May 2011	145,267	71,223	47,272	44,910	12,300	320,972
Reclassifications between fixed asset type	3,454	(1,196)	-	(2,258)	-	-
Additions	1,727	2,298	244	4,986	535	9,790
On acquisition of subsidiary (note 28)	161,139	47,757	11,620	8,138	9	228,663
Disposals	-	-	(12)	(550)	-	(562)
Exchange movements	(9,575)	(3,044)	(3,642)	(3,020)	(1,053)	(20,334)
At 30 April 2012	302,012	117,038	55,482	52,206	11,791	538,529
Depreciation						
At 1 May 2011	4,186	19,116	13,268	24,351	-	60,921
Charge for the year	3,235	2,865	2,970	5,878	-	14,948
Reclassifications between fixed asset type	997	(634)	(38)	(325)	-	-
Disposals	-	-	(12)	(548)	-	(560)
Exchange movements	(421)	(1,154)	(1,010)	(1,401)	-	(3,986)
At 30 April 2012	7,997	20,193	15,178	27,955	-	71,323
Net book value						
At 30 April 2012	294,015	96,845	40,304	24,251	11,791	467,206
At 30 April 2011	141,081	52,107	34,004	20,559	12,300	260,051

Assets in the course of construction amounting to £11,791,000 have not been depreciated (2011 £12,300,000) These relate to hotels under development, land for development and refurbishment of the Group's assets which have not as yet been brought into use

The net book value of assets held under finance leases is £212,000 (2011 £331,000), on which depreciation of £95,000 (2011 £125,000) was charged during the year

Cumulative financing costs capitalised included in the cost of tangible fixed assets amounted to £17,023,000 (2011 £18,408,000) for the Group and £nil for the Company (2011 £nil)

Notes to the accounts
Year ended 30 April 2012

11 Tangible fixed assets (continued)

In accordance with the Group's accounting policy, the Group annually reviews the carrying values of the individual hotels The hotels are tested for potential impairment if there is a change in circumstances which could indicate that the carrying value may not be recoverable

To take into account the risks associated with individual assets in the Group, impairment tests have been conducted using a discounted cashflow analysis with a Group growth rate at or below the general growth rate in the relevant markets and a Group discount rate of 10%, which the directors believe is appropriate for the Group's review of asset valuations There were no impairments identified

Company	Land and buildings freehold £'000	Plant and machinery £'000	Furniture, furnishings, and equipment £'000	Total £'000
Cost				
At 1 May 2011	32,464	6,035	9,898	48,397
Additions	-	-	2,610	2,610
At 30 April 2012	32,464	6,035	12,508	51,007
Depreciation				
At 1 May 2011	155	2,491	5,927	8,573
Charge for year	13	304	1,263	1,580
At 30 April 2012	168	2,795	7,190	10,153
Net book value				
At 30 April 2012	32,296	3,240	5,318	40,854
At 30 April 2011	32,309	3,544	3,971	39,824

Notes to the accounts
Year ended 30 April 2012

12 Fixed asset investments

Group

	Other Investments Total £'000
Cost	
At 1 May 2011	36
Transfer on acquisition of subsidiary	(22)
Exchange movements	(1)
At 30 April 2012	13

Company

	Loans to group undertakings £'000	Equity investments £'000	Total £'000
Cost			
At 1 May 2011	998	55,776	56,774
Additions	-	10,106	10,106
Exchange movements	-	119	119
At 30 April 2012	998	66,001	66,999

All subsidiary undertakings have been included in the consolidation

Notes to the accounts
Year ended 30 April 2012

12. Fixed asset investments (continued)

Principal Group investments

The Company and the Group have investments in the following subsidiary undertakings and associated undertakings which principally affected the results and net assets of the Group at 30 April 2012

	Country of incorporation or principal business address	Principal activity	Holding %
Rocco Forte & Family (Florence) S p A	Italy	Hotel Operation	100
Rocco Forte & Family (Rome) S p A	Italy	Hotel Operation	100
Sir Rocco Forte & Family (Mediterranea Golf & Resort) S p A	Italy	Hotel Operation	100
Verdura Golf Club Societa Sportiva Dilettantistica a responsabilita Limitata SRL	Italy	Golf Operations	100
RF Hotels International Group	BVI*	Hotel Management	100
Astoria Hotel Joint Stock Company	Russia	Hotel Operation	59 5
RF Hotels Limited	Great Britain*	Hotel Management	100
Rocco Forte & Family (Hotel Management) Limited	Great Britain*	Hotel Management	100
Rocco Forte & Family (London) Limited	Great Britain	Hotel Operation	100
Rocco Forte & Family (Luxury Hotels) Limited	Great Britain*	Hotel Operation	100
Rocco Forte & Family (The Lowry Hotel) Limited	Great Britain	Hotel Operation	100
Rocco Forte & Family (Brussels) SA	Belgium	Hotel Operation	100
Rocco Forte & Family (Deutschland) Gmbh	Germany	Hotel Operation	100
Rocco Forte & Family (Luxury Hotels) GmbH	Germany	Hotel Operation	100
Rocco Forte & Family (Munich) GmbH	Germany	Hotel Operation	100
Rocco Forte & Family (Czech Republic) SRO	Czech Republic	Hotel Operation	100

*Held directly by Rocco Forte & Family Limited

The financial statements for all of the above undertakings have been prepared to the same financial year end as the Company, with the exception of the Astoria Hotel Joint Stock Company, which has a 31 December year end Interim financial statements for the year ended 30 April 2012 have been prepared for this undertaking for the purposes of the consolidated financial statements

On 27 May 2011 the Company acquired the Uberior Venture Limited (a wholly owned subsidiary of Bank of Scotland) shares in the Joint Venture vehicle thereby becoming the sole shareholder of Rocco Forte & Family (Luxury Hotels) Limited and its subsidiaries

Notes to the accounts
Year ended 30 April 2012

13 Investment in joint ventures

Rocco Forte & Family (Luxury Hotels) Limited and its subsidiaries have been consolidated from 27 May 2011, accounted for under the acquisition accounting method In 2011 the group was consolidated as a joint venture using the gross equity method

	2011 £'000
Share of assets	
Share of fixed assets	69,172
Share of current assets	12,128
	81,300
Share of liabilities	
Liabilities due within one year or less	(71,921)
Liabilities due after more than one year	(10,315)
	(82,236)
Share of net assets	(936)

Share of loss in joint ventures	1 May 2011 – 27 May 2011 £'000	2011 £'000
Share of joint venture's turnover	3,340	44,634
Share of joint venture's cost of sales	(1,457)	(21,068)
Gross profit	1,883	23,566
Share of joint venture's administrative expenses	(1,579)	(20,542)
Share of joint venture's operating profit before exceptional items	304	3,024
Goodwill amortisation	-	(75)
Share of operating profit in joint ventures before exceptional items	304	2,949
Onerous lease	-	(2,646)
Fixed asset disposal	-	305
Net interest	(304)	(6,700)
Taxation	-	(74)
	-	(6,166)

14. Stocks

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Food and beverages, consumables, spares and other operating equipment	4,059	425	2,730	425

The replacement cost of stocks is not materially different from the historical cost set out above

15 Debtors amounts falling due within one year

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	7,123	520	3,902	359
Amounts owed by group undertakings	-	-	-	45
Amounts owed by related parties and other debtors	11,338	63	9,319	338
Prepayments and accrued income	3,845	296	2,292	645
	22,306	879	15,513	1,387

Other debtors include grant income and a VAT debtor in relation to the Group's property in Sicily There are certain obligations and conditions related to the grant which, if not met, could result in a claw-back of this amount The directors consider the probability of this to be remote

16 Debtors amounts falling due after more than one year

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts owed by group undertakings	-	75,605	-	81,120
Other debtors	7,056	-	12,658	-
	7,056	75,605	12,658	81,120

Other debtors include a VAT debtor in relation to the Group's property in Sicily

Notes to the accounts
Year ended 30 April 2012

17 Creditors amounts falling due within one year

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts (note 18)	334,904	109,781	125,098	106,384
Finance leases (note 18)	87	-	136	3
Amounts owed to related parties and other creditors	1,592	128	706	34
Amounts owed to group undertakings	-	714	-	316
Trade creditors	9,744	302	6,238	352
Taxation and social security	3,668	433	1,652	222
Accruals and deferred income	26,799	4,147	16,959	3,298
	376,794	115,505	150,789	110,609

18 Creditors amounts falling due after more than one year

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	-	-	77,758	-
Finance leases	15	-	112	-
Accruals and deferred income	31,193	-	35,636	-
Amounts owed to group undertakings	-	1,371	-	-
Other creditors	11,365	-	1,997	-
	42,573	1,371	115,503	-

Finance lease creditors are secured on the assets being financed

Accruals and deferred income includes grant income There are certain obligations and conditions related to the grants which, if not met, could result in a claw-back of these amounts The directors consider the probability of this to be remote

Borrowings are repayable as follows

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts				
- within one year	334,904	109,781	125,098	106,384
- between two and five years	-	-	18,114	-
- after five years	-	-	59,644	-
Finance leases				
- within one year	87	-	136	3
- between two and five years	15	-	112	-
	335,006	109,781	203,104	106,387

18 Creditors amounts falling due after more than one year (continued)

As at 30 April 2012, the Group had committed facilities with the Bank of Scotland comprising £135 3 million, $31 2 million and €118 0 million, as well as a separate revolver facility The loan is secured (through fixed and floating charges) on all the UK assets of the Group and on all investments in overseas entities, except where specific security is given to other lenders During the financial year the interest rate payable on utilised cross currency facilities ranged between 1 19% and 3 93% As at 30 April 2012 the loan was repayable in June 2015

As at 30 April 2012 the Group has an overall facility with Unicredit Banca d'Impresa S p A for €113 million, of which €96 3 m is in place until October 2024, as well as a separate overdraft facility During the financial year the interest rate charged ranged between 3 6% and 7 7% for the two facilities This facility is drawn for the purposes of financing Mediterranea, and is secured on the Group's investment in 100% of its share capital and on the fixed assets held by that Company Within the above facility, Unicredit Banca d'Impresa S p A has advanced a €4 3m bridging loan facility in respect of anticipated government grant funding and a €12 0m bridging loan facility in respect of anticipated government VAT settlements for Mediterranea

Long term financing arrangements in relation to Mediterranea are currently being renegotiated with its Italian lender and consequently Mediterranea's bank borrowings are reported as current liabilities In the event that revised long term facilities are not agreed with the Italian lender, this may give rise to Bank of Scotland exercising their rights in the event of default under the Group's facilities therefore the Group's bank borrowings are also reported as current liabilities

The Group had a facility with Rosinterbank for $0 9m An interest rate of 11% was charged on the banking facility The facility was settled in full by June 2012

Issue costs of £5 3m net of accumulated amortisation, have been capitalised and are being amortised over the term of the facilities to which they relate

The Company has issued a support undertaking to Mediterranea which is in place until October 2024, in respect of debt financing issued by Unicredit Banca d'Impresa S p A No claim has been made of the Company under the terms of this undertaking

The Group has issued a lease guarantee totalling €1 1m (2011 €1 1m) in respect of its hotel property in Rome, Italy and lease guarantees totalling €26 7m (2011 €26 7m) in respect of its properties in Frankfurt and Berlin The Group had instructed the Bank of Scotland to issue lease guarantees totalling €9 2 million (2011 €9 2 million) in respect of its hotel property in Munich The Group has issued a counter-indemnity to the Bank of Scotland for these guarantees No claim has been made under the terms of any of these leases

In addition, the Group has issued a lease guarantee totalling €5 7million (2011 €5 7million) in respect of its property in Prague Subsequent to the year end we have negotiated the early termination of our onerous lease for this property, as well as our obligations under the lease guarantee The disengagement of Rocco Forte Hotels from this hotel is in the final stages of completion

19 Financial instruments

The Group enters into derivative transactions such as foreign exchange forwards and swaps, interest rate swaps, interest rate caps and collars, and interest rate options in order to finance its operations and to manage the interest rate and currency risks arising from its operations and sources of income

Fair value accounting is not followed therefore the financial instruments are not included in the balance sheet at fair value The fair value of the interest rate swaps held by the group at the balance sheet date are a £5 7m liability (2011 £3 2m liability) in relation to financial instruments held by the Company, £4 3m liability held by Rocco Forte & Family (Luxury Hotels) Limited and a €3 1m liability (2011 €1 7m liability) arising in an Italian subsidiary

Notes to the accounts
Year ended 30 April 2012

20 Provisions for liabilities and charges

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Provision for onerous leases (note 18)	4,498	-	-	-
Deferred tax (see note 7)	4,984	-	5,393	-
Other	192	-	155	-
	9,674	-	5,548	-

Provision for onerous leases is provided as follows	£'000
Opening provision	-
On acquisition of subsidiary (note 28)	5,053
Foreign exchange	(555)
Closing provision	4,498

The provision is based on a lease guarantee

21 Called-up share capital

	2012 £'000	2011 £'000
Allotted, called-up and fully-paid		
65,919,913 ordinary shares of £1 each (2011 69,026,087 ordinary shares of £1 each)	65,920	69,026

On 27 May 2011 a special resolution was passed to reduce the Company's issued share capital 3,106,174 ordinary shares with a nominal value of £1 each were transferred to a distributable capital reduction reserve (see note 22)

22 Reserves

	Merger reserve	
	Group £'000	Company £'000
At 1 May 2011	7,181	(502)
Exchange movement	107	-
At 30 April 2012	7,288	(502)

Notes to the accounts
Year ended 30 April 2012

22 Reserves (continued)

	Own shares held by EBT	
	Group £'000	Company £'000
At 1 May 2011 and 30 April 2012	(649)	-

The RF Hotels Limited Employee Benefit Trust was established by a settlement deed dated 23 October 2001 The terms of the Trust allow the trustees to provide benefits to employees of the Group as the trustees may in their discretion decide The Trust held 381,667 shares in Rocco Forte & Family Limited at 30 April 2012 (2011 381,667) at historical cost

The amount of the own shares held by the Employee Benefit Trust represents the deduction in arriving at shareholders funds for the consideration paid for the Company's shares purchased by the Trust at the balance sheet date, in accordance with UITF 38

	Revaluation reserve	
	Group £'000	Company £'000
At 1 May 2011	-	-
Fair value adjustment on transfer of joint venture interest to subsidiary undertaking	45,716	-
At 30 April 2012	45,716	-

	Profit and loss account	
	Group £'000	Company £'000
At 1 May 2011	(53,351)	15,434
(Loss) / profit for the year	(11,200)	608
Transfer from capital reduction reserve	2,630	2,630
At 30 April 2012	(61,921)	18,672

	Foreign exchange reserve	
	Group £'000	Company £'000
At 1 May 2011	753	(856)
Gain on foreign currency translation	3,813	700
At 30 April 2012	4,566	(156)

22 Reserves (continued)

	Capital reduction reserve	
	Group £'000	Company £'000
At 1 May 2011	-	-
Share capital reduction (note 21)	3,106	3,106
Deemed consideration for share cancellation	(476)	(476)
Transfer to profit and loss account	(2,630)	(2,630)
At 30 April 2012	-	-

23. Reconciliation of movements in shareholders' funds

Group	2012 £'000	2011 £'000
Loss for the year	(11,200)	(11,573)
Translation differences on foreign currency net investments	3,920	(945)
Deemed consideration for share cancellation (note 22)	(476)	-
Revaluation reserve (note 22)	45,716	-
Net increase / (decrease) in shareholders' funds	37,960	(12,518)
Opening shareholders' funds	22,960	35,478
Closing shareholders' funds	60,920	22,960

Company	2012 £'000	2011 £'000
Profit for the year	608	5,345
Deemed consideration for share cancellation (note 22)	(476)	-
Translation differences on foreign currency net investments	700	(539)
Net increase in shareholders' funds	832	4,806
Opening shareholders' funds	83,102	78,296
Closing shareholders' funds	83,934	83,102

Notes to the accounts
Year ended 30 April 2012

24 Minority interests

	£'000
As at 1 May 2011	16,160
Profit on ordinary activities after taxation	721
Exchange movements	79
At 30 April 2012	16,960

25 Reconciliation of operating profit to operating cash flows

	2012 £'000	2011 £'000
Operating profit	11,131	8,195
Depreciation and amortisation (net)	14,099	11,217
Decrease in stocks	378	46
Decrease in debtors	6,647	20,636
Increase / (decrease) in creditors	2,481	(5,414)
Exchange movement	6,707	(2,174)
Net cash inflow from operating activities	41,443	32,506

26 Analysis of cash flows

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Interest received	344	307
Interest paid on bank loans	(19,838)	(9,445)
Interest element of finance lease payments	(102)	(16)
Loan arrangement fees paid	(3,690)	(1,413)
Dividends paid to minority interests	-	(1,007)
Net cash outflow from returns on investments and servicing of finance	(23,286)	(11,574)
Taxation		
Corporation tax paid	(1,399)	(1,596)
Capital expenditure and financial investment		
Net cash outflow on purchase of tangible fixed assets	(9,790)	(5,997)
Net cash outflow on purchase of intangible fixed assets	-	(39)
Net cash outflow on capital expenditure and financial investment	(9,790)	(6,036)

26. Analysis of cash flows (continued)

	2012 £'000	2011 £'000
Acquisitions and disposals		
Acquisition of subsidiary	(10,127)	-
Net cash acquired with subsidiary	14,798	-
Purchase of other investments	-	(22)
Net cash inflow / (outflow) on acquisitions and disposals	4,671	(22)
Financing		
Repayment of loan	-	(9,741)
New secured loan	18,817	3,282
Settlement / new finance leases	(10,247)	58
Capital element of finance lease payments	(146)	(159)
Consideration of share cancellation	(476)	-
Net cash inflow / (outflow) on financing	7,948	(6,560)

27. Analysis and reconciliation of net debt

	1 May 2011 £'000	Cash flow £'000	Subsidiary acquisition £'000	Other non cash changes £'000	Exchange movement £'000	30 April 2012 £'000
Cash at bank and in hand	11,968	14,916	4,671	-	-	31,555
Finance leases due within 1 year	(136)	10,393	(10,247)	(97)	-	(87)
Finance leases due after 1 year	(112)	-	-	97	-	(15)
Bank loans due within 1 year	(125,098)	(15,127)	(129,010)	(78,554)	12,885	(334,904)
Bank loans due after 1 year	(77,758)	-	-	77,758	-	-
	(203,104)	(4,734)	(139,257)	(796)	12,885	(335,006)
Net debt	(191,136)	10,182	(134,586)	(796)	12,885	(303,451)

Other non cash changes primarily relate to the reclassification of loans between short term and long term and the amortisation of loan arrangement fees

28. Acquisition of subsidiary

On 27 May 2011 the Group acquired the remaining issued share capital of Rocco Forte & Family (Luxury Hotels) Limited, becoming the sole shareholder having previously held a 50% joint venture interest in this group See note 12 for full details of all subsidiary undertakings This transaction has been accounted for using the acquisition accounting method, applying the true and fair view override in respect of the previously owned interest which has been revalued to fair value as per Financial Reporting Standard 2 "Accounting for subsidiary undertakings" The carrying value of the joint venture interest on the date of acquisition was £0 4m liability

Recognised amounts of identifiable assets acquired and liabilities assumed	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets	146,108	82,555	228,663
Debtors	7,839	-	7,839
Stock	1,707	-	1,707
Cash	14,798	-	14,798
Creditors	(14,524)	-	(14,524)
Financing	(129,010)	-	(129,010)
Finance leases	(10,247)	-	(10,247)
Long term liabilities	(3,602)	-	(3,602)
Provisions	(11,202)	6,149	(5,053)
Total identifiable net assets	1,867	88,704	90,571
Less fair value of net assets previously owned as joint venture			(45,285)
Fair value of net assets acquired			45,286
Less total consideration (including acquisition related costs amounting to £107,000)			(10,127)
Negative goodwill (note 10)			35,159

The fair value adjustments relate to the revaluation of fixed assets and an accounting policy adjustment in respect of long term provisions at the date of acquisition

28 Acquisition of subsidiary (continued)

Post acquisition results of Rocco Forte & Family (Luxury Hotels) Ltd and its subsidiaries

	28 May 2011 to 30 April 2012 £'000
Turnover	77,345
Cost of sales	(35,851)
Gross profit	41,494
Administrative expenses	(37,472)
Operating profit	4,022

Pre acquisition profit and loss account and statement of total recognised gains and losses of Rocco Forte & Family (Luxury Hotels) Ltd and its subsidiaries

	1 May 2011 to 27 May 2011 £'000
Turnover	6,680
Operating profit	608
Profit before taxation	-
Taxation	-
Profit after taxation	-
Translation differences	1,008
Total recognised gains relating to the year	1,008

The loss after taxation of Rocco Forte & Family (Luxury Hotels) Ltd and its subsidiaries for the year ended 30 April 2011 was £1 6m

29. Financial commitments

Capital commitments are as follows

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted for but not provided for	2,328	1,425	3,625	672

30 Operating lease commitments

At 30 April 2012 the Group had annual operating lease commitments under non-cancellable operating leases as set out below

	Group			
	2012		2011	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiry date				
- within one year	-	102	4	2
- in the second to fifth years inclusive	294	51	392	18
- over five years	20,684	3,946	9,093	-
	20,978	4,099	9,489	20

The majority of land and buildings lease commitments are subject to indexation

31 Related party transactions

During the year the Group carried out transactions with the following related party

	Sir Rocco Forte Limited	
	2012	2011
	£'000	£'000
Balance sheet		
Amounts receivable from related party	222	214
Profit and loss account		
Interest receivable from related party	8	6
Trademark licence fees payable to related party	(372)	(367)

The above company is a related party of the Group as it is controlled by Sir Rocco Forte

In accordance with Financial Reporting Standard 8, transactions or balances with Group entities that are wholly owned subsidiaries and have been eliminated on consolidation are not reported

32 Controlling party

The Hon Sir Rocco JV Forte, a director of Rocco Forte & Family Limited, and his family as a whole, control the Company, as a result of controlling directly or indirectly 99% (2011 93%) of the issued share capital of Rocco Forte & Family Limited