

**THE LANCASTER LANDMARK HOTEL
COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2007**

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Company Number 2832349

The Lancaster Landmark Hotel Company Limited
For the year ended 31 October 2007
Company Information

Directors

J Sihanatkathakul
S Sihanartkathakul
M Gemei
B Hladnik
T Sihanartkathakul
T Sihanartkathakul

Secretary and Registered Office

Cornhill Secretaries Limited
The Royal Lancaster Hotel
Lancaster Terrace
London W2 2TY

Auditors

Moore Stephens LLP
St Paul's House
Warwick Lane
London EC4M 7BP

The Lancaster Landmark Hotel Company Limited
Directors' Report
For the year ended 31 October 2007

The directors' present their report and the audited financial statements for the year ended 31 October 2007

Business Review and Principal Activities

The company's principal activity is the ownership and management of London hotels and serviced apartments

The company owns or manages

The Landmark London Hotel	5 Star with 300 rooms
The Royal Lancaster Hotel	4 Star with 416 rooms
K West Hotel	4 Star with 222 rooms
Basil Street Apartments	8 serviced apartments

The results for the company show a pre-tax profit of £7.3m (2006 £9.0m) on sales of £70.8m (2006 £68.0m). The company has net debt of £75.9m (2006 £75.4m) and a net cash outflow in the year of £0.5m (2006 £9.04m inflow).

Business Environment

2007 saw growth in all of our properties resulting in an excellent performance. This growth resulted from an increased number of tourists and corporate clients from our traditional markets in the UK, Europe and most importantly the US. We also experienced significant increases from the Middle East market during the traditionally slow months of July and August.

Strategy

The company's objective is to achieve attractive rates of growth and returns through a focus on sales activity and efficient cost controls.

Future Outlook

The future outlook is uncertain and we are taking a more cautious approach. However, the fundamentals of the London hotel market remain strong.

Principal Risks and Uncertainty

The management of the business and the execution of its strategy are subject to a number of risks.

Product Quality

Our ability to compete is driven by the product and service quality. We maintain our product with appropriate expenditure on high quality renovations, repairs and maintenance. We maintain our service quality by employing the best people available, providing excellent short and long term employee motivation programs and by continuous training.

Terrorist Activity

The group's performance is vulnerable to terrorist activities in the UK and in its feeder markets. Our ongoing strategy is to diversify our markets to prevent over dependence on any single country.

Economic Activity

The company's continuing success is dependent on a stable domestic economy. We have in recent years had a period of uninterrupted growth combined with low interest rates. Consumer spending in general and spending on leisure in particular has been high.

Competition

There are no new hotels planned for opening in 2008 with which we will directly compete.

The Lancaster Landmark Hotel Company Limited
Directors' Report (continued)
For the year ended 31 October 2007

Key Performance Indicators

The company has achieved its operational and financial goals for the year achieving room occupancy of over 75% (2006 over 75%) and an average room rate of over £140 (2006 over £135)

Results and Dividends

The profit for the year before tax amounted to £7,271,000 (2006 £9,005,000) The directors do not recommend the payment of a dividend and the full amount of the profit after tax is to be taken to reserves

On 20 February 2007, the authorised share capital of the company was increased to £10,000,000 divided into 1,000,000 ordinary shares of £1 each and 9,000,000 redeemable ordinary shares of £1 each The redeemable ordinary shares were redeemed at £1 each on 26 April 2007

Directors and their Interests in the Company

The directors' who held office in the year were as follows -

J Sihanatkathakul
S Sihanartkathakul
M Gemei
B Hladnik
T Sihanatkathakul (appointed 31 May 2007)

No director had a direct interest, as defined by the Companies Act 1985, in the share capital of the company or its immediate parent company at any time during the year ended 31 October 2007 With the exception of M Gemei and B Hladnik, the directors have indirect interests in the immediate parent company

A further director, T Sihanatkathakul, was appointed as a director on 27 June 2008

Market Value of Land and Buildings

The directors' do not consider that there is any significant difference between the market and book value of land and buildings at 31 October 2007

Employment of Disabled Persons

It is the company's policy to give fair consideration to the employment, training and career development of disabled persons and to comply with the current legislation regarding such persons

Employee Involvement

The directors' recognise the benefits which accrue from keeping employees informed on the progress of the company The company's devolved structure facilitates the full involvement of employees

Auditors

Each of the persons who are directors at the date of approval of this report confirms that

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware,
- (b) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The Lancaster Landmark Hotel Company Limited
Directors' Report (continued)
For the year ended 31 October 2007

Auditors (continued)

A resolution to reappoint Moore Stephens LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- i) select suitable accounting policies and then apply them consistently,
- ii) make judgements and estimates that are reasonable and prudent,
- iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



M Gemei
Director

Independent Auditors' Report to the Shareholders of The Lancaster Landmark Hotel Company Limited

We have audited the financial statements of The Lancaster Landmark Hotel Company Limited for the year ended 31 October 2007 which are set out pages 5 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

St Paul's House
Warwick Lane
LONDON EC4M 7BP

Moore Stephens 64

Moore Stephens LLP
Registered Auditors
Chartered Accountants

29th August 2008

The Lancaster Landmark Hotel Company Limited
Profit and Loss Account
For the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Turnover	1	70,781	68,040
Cost of sales		(6,350)	(6,444)
Gross profit		<u>64,431</u>	<u>61,596</u>
Administrative expenses		(52,409)	(48,266)
Operating profit	2	12,022	13,330
Interest receivable	4	612	317
Interest payable	5	(5,363)	(4,642)
Profit on ordinary activities before taxation		<u>7,271</u>	<u>9,005</u>
Taxation on profit on ordinary activities	6	(1,233)	(9,675)
Profit/(loss) for the year	14	<u>6,038</u>	<u>(670)</u>

The operating profit for the year arises from the company's continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

Statement of Total Recognised Gains and Losses
For the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Profit/(loss) for the year		6,038	(670)
Unrealised surplus on the revaluation of land and buildings	7	-	101,133
		<u>6,038</u>	<u>100,463</u>
Actuarial gains on defined benefit pension scheme	16	234	212
Deferred tax liability on actuarial gain	12	(70)	(64)
Total recognised gains and losses since last annual report		<u>6,202</u>	<u>100,611</u>

The Lancaster Landmark Hotel Company Limited
Balance Sheet
At 31 October 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	7	355,010	357,690
Current assets			
Stocks	8	271	269
Debtors	9	8,093	7,443
Cash at bank and in hand		8,677	9,195
		17,041	16,907
Creditors, amounts falling due within one year	10	(12,154)	(10,536)
Net current assets		4,887	6,371
Total assets less current liabilities		359,897	364,061
Creditors: amounts falling due after more than one year	11	(84,600)	(84,600)
Provision for liabilities	12	(15,143)	(16,318)
Net assets excluding pension asset/(liability)		260,154	263,143
Pension asset/(liability)	16	43	(148)
Net assets		260,197	262,995
Capital and reserves			
Share capital	13	1,000	1,000
Share premium	14	-	9,000
Profit and loss account	14	19,592	22,390
Revaluation reserve	14	230,605	230,605
Capital redemption reserve	14	9,000	-
Shareholder's funds	15	260,197	262,995

Approved by the Board on 11th July 2008

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M Gemei
Director

The Lancaster Landmark Hotel Company Limited
Cash Flow Statement
For the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	18	19,091	16,487
Returns on investments and servicing of finance	19	(4,864)	(4,250)
Taxation	19	(1,771)	(954)
Capital expenditure and financial investment	19	(3,974)	(2,245)
Net cash inflow before financing		8,482	9,038
Financing		(9,000)	-
(Decrease)/Increase in cash in the year	20	(518)	9,038

Reconciliation of Net Cash Flows to Movement in Net Debt

(Decrease)/Increase in cash in the year		(518)	9,038
Change in net debt resulting from cash flows	20	(518)	9,038
Net debt at 1 November 2006	20	(75,405)	(84,443)
Net debt at 31 October 2007	20	(75,923)	(75,405)

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

1 Principal Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in compliance with all applicable accounting standards. The following accounting policies have been consistently applied in dealing with items that are considered material in relation to the company's financial statements.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation and any write down for impairment.

Assets other than freehold and long leasehold land and buildings, antiques and base stocks of cutlery and crockery are being written off on a straight line basis over their remaining useful lives at the following rates -

Fixtures and fittings and equipment	-	7-33% per annum
Plant and machinery	-	4-20% per annum

It is the company's policy to maintain its freehold and long leasehold land and buildings to a high standard on an ongoing basis. The directors consider that the residual value of the properties is at least equal to their net book value and therefore any depreciation would be immaterial, so none is charged. The directors perform annual impairment reviews in accordance with the requirements of FRS 15 "Tangible Fixed Assets" and FRS 11 "Impairment of Fixed Assets and Goodwill" to ensure that the carrying value is not lower than the recoverable amount.

All items costing less than £1,000 are written off to the profit and loss account as incurred, unless a number of similar items are bought at the same time costing over £1,000, in which case they are considered as a group and are capitalised.

(c) Stocks

Stocks are valued at the lower of cost and net realisable value. Base stocks of cutlery and crockery are valued at historic cost, with expenditure on replacement cutlery and crockery written off as incurred.

(d) Turnover

Turnover represents the net amounts receivable from customers for services provided in the normal course of business, exclusive of value added tax, and is confined to the United Kingdom.

(e) Deferred 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 taxation computations in periods different to 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 assets and liabilities are not discounted to reflect the time value of money.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

(f) Operating leases

The annual rentals payable under operating leases are charged to the profit and loss account on a level term basis over the life of each lease

(g) Pension costs

The company operates defined contribution pension schemes with guaranteed minimum benefits for certain members. The company also operates a defined benefit scheme which is now closed to new members.

Contributions are paid to the schemes in accordance with the actuaries' guidance and are charged against profits in the year to which they relate in accordance with the provisions of FRS 17 "Retirement Benefits".

(h) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Those exchange differences are reflected in the profit and loss account for the year.

2 Operating Profit

	2007 £'000	2006 £'000
Operating profit is stated after charging/(crediting)		
Depreciation	5,618	4,725
Auditors' remuneration - audit	74	71
- non audit (taxation)	39	25
Loss/(profit) on disposal of fixed assets	1,036	(5)
Expenditure on repairs and maintenance	5,272	3,152
Operating lease rentals -		
Land and buildings	2,755	2,849
Other	25	8
	<u> </u>	<u> </u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

3 Directors and Employees

	2007 £'000	2006 £'000
Staff costs include the following emoluments in respect of directors of the company		
Emoluments	214	202
Pension costs	85	20
	<u>299</u>	<u>222</u>

At the year end £12,100 (2006 £4,100) was accrued by the company in respect of pension contributions for one director, in respect of a defined benefit arrangement

The emoluments in respect of directors of the company as detailed above are in respect of one director only

Staff costs during the year including directors' costs were as follows

	2007 £'000	2006 £'000
Wages	17,808	17,987
Social security costs	1,675	1,710
Pension costs	539	444
	<u>20,022</u>	<u>20,141</u>

The average monthly number of full time equivalent employees during the year was as follows

	2007 No.	2006 No.
Rooms	276	273
Catering	500	510
Sales	45	57
Administration	86	71
Service	70	44
	<u>977</u>	<u>955</u>

4. Interest receivable

	2007 £'000	2006 £'000
Bank interest	499	269
Net return on pension scheme assets and liabilities	113	48
	<u>612</u>	<u>317</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

5 Interest payable

	2007	2006
	£'000	£'000
Bank loan interest	<u>5,363</u>	<u>4,642</u>

6 Taxation on profit on ordinary activities

	2007	2006
	£'000	£'000
Corporation tax on the profit for the year at 30%	2,396	1,971
Adjustment to tax charge in respect of previous year	12	(132)
Deferred taxation (note 12) - current year	(193)	7,836
- adjustment in respect of previous year	(982)	-
	<u>1,233</u>	<u>9,675</u>

The actual tax charge for the current year is higher than the standard rate of tax for the reasons set out below

	2007	2006
	£'000	£'000
Profit on ordinary activities before taxation	<u>7,271</u>	<u>9,005</u>
Tax on profit on ordinary activities at 30%	<u>2,181</u>	<u>2,702</u>
<i>Factors affecting the charge for the year</i>		
Disallowable expenditure	36	(4)
Accelerated capital allowances	183	(192)
Utilisation of trade losses	-	(428)
Other timing differences	(4)	(107)
Tax on profit on ordinary activities	<u>2,396</u>	<u>1,971</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

7 Tangible Fixed Assets

	Land & Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost or valuation				
At 1 November 2006	326,179	10,320	24,741	361,240
Adjustment in respect of prior period revaluation	-	18,983	25,762	44,745
Additions	227	1,129	2,623	3,979
Disposals	(57)	(1,822)	(8,349)	(10,228)
Transfer	(12)	15,548	(15,536)	-
At 31 October 2007	<u>326,337</u>	<u>44,158</u>	<u>29,241</u>	<u>399,736</u>
Cost	-	44,158	29,241	73,399
Valuation - 31 October 2006	<u>326,337</u>	-	-	<u>326,337</u>
	<u>326,337</u>	<u>44,158</u>	<u>29,241</u>	<u>399,736</u>
Depreciation				
At 1 November 2006	-	6	3,544	3,550
Adjustment in respect of prior period revaluation	-	18,983	25,762	44,745
Charge for the year	-	1,522	4,096	5,618
Disposals	-	(1,770)	(7,417)	(9,187)
Transfer	-	5,980	(5,980)	-
At 31 October 2007	<u>-</u>	<u>24,721</u>	<u>20,005</u>	<u>44,726</u>
Net book value				
At 31 October 2007	<u>326,337</u>	<u>19,437</u>	<u>9,236</u>	<u>355,010</u>
At 31 October 2006	<u>326,179</u>	<u>9,103</u>	<u>22,408</u>	<u>357,690</u>

Cost or valuation and net book value

	2007 £'000	2006 £'000
Land and buildings comprise the following		
Freehold	186,286	186,286
Long leasehold	140,051	139,893
	<u>326,337</u>	<u>326,179</u>

The net book values based on depreciated historic cost of the freehold and long leasehold properties at 31 October 2007 were £56 148 million and £78 285 million respectively

In accordance with FRS15 "Tangible Fixed Assets" the two hotels owned by the company were professionally valued in accordance with the RICS Appraisal and Valuation manual at £355 million as at 31 October 2006 by Messrs Colliers Robert Barry, Chartered Surveyors, on the basis of existing use as fully licensed operating hotels, including the trade, furniture, furnishings and equipment. Due to the fact that the valuation of the hotels is undertaken on the basis of the entities as a whole, it is not practical to separate out the valuation elements between the categories shown above. Accordingly the revaluation surplus has been entirely attributed to the land and buildings with plant and machinery and fixtures, fittings and equipment shown at cost. The adjustment to cost and depreciation reflects this approach.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

7 Tangible Fixed Assets (continued)

Due to the ongoing high standard of maintenance, residual values are considered to be high such that any depreciation would be insignificant. Accordingly, the accounting policy of the company is not to charge depreciation (note 1(b)).

8. Stocks

	2007 £'000	2006 £'000
Raw materials and consumables	271	269

9. Debtors

	2007 £'000	2006 £'000
Trade debtors	4,683	4,468
Amounts due from parent undertaking	1,041	659
Amounts due from fellow subsidiary undertakings	500	500
Other debtors	217	186
Prepayments and accrued income	1,652	1,630
	<u>8,093</u>	<u>7,443</u>

Amounts falling due after more than one year included within other debtors are

	2007 £'000	2006 £'000
Other debtors	108	108

10 Creditors: Amounts Falling Due Within One Year

	2007 £'000	2006 £'000
Trade creditors	3,250	3,026
Amounts due to fellow subsidiary undertakings	354	354
Corporation tax	746	195
Other creditors	144	210
Other taxation and social security costs	1,881	1,934
Accruals and deferred income	1,993	2,659
Payments on account	3,786	2,158
	<u>12,154</u>	<u>10,536</u>

11. Creditors: Amounts Falling Due After More Than One Year

	2007 £'000	2006 £'000
Bank loan	84,600	84,600

The loan is secured by way of a debenture incorporating (inter alia) first fixed legal charges over the properties owned and leased by the company. Interest is payable at an average rate of LIBOR plus 0.75% from 1 April 2006. The loan is repayable in full on 31 March 2011.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

11. Creditors Amounts Falling Due After More Than One Year (Continued)

Bank loan is repayable as follows -

	2007	2006
	£'000	£'000
Between two and five years	84,600	-
Over five years	-	84,600
	<u>84,600</u>	<u>84,600</u>

12. Provision for Liabilities

	2007	2006
	£'000	£'000
Deferred tax liability as at 1 November 2006	16,318	8,482
(Credit)/charge in the year (note 6)	(1,175)	7,836
At 31 October 2007	<u>15,143</u>	<u>16,318</u>

	2007	2006
	£'000	£'000
Deferred tax liability consists of		
Accelerated capital allowances	15,118	16,297
Other timing differences	25	21
At 31 October 2007	<u>15,143</u>	<u>16,318</u>

Deferred taxation has not been provided in respect of the revaluation of the hotels owned by the company as the directors have no intention to dispose of these assets in the foreseeable future. If the revalued assets were to be sold at their valuation at the year-end, a taxation liability of approximately £107 million (2006 £107 million) would arise.

13. Share Capital

	2007	2006
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

All shares rank equally in respect of shareholders rights

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

13. Share Capital (Continued)

On 20 February 2007 the authorised share capital was increased to £10,000,00 by the creation of 9,000,000 redeemable ordinary shares of £1 each

These shares were redeemed at consideration of £1 per share on 26 April 2007

14. Reserves

	Profit and loss account £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000
At 1 November 2006	22,390	9,000	230,605	-
Profit for the year	6,038	-	-	-
Issue of redeemable ordinary shares	-	(9,000)	-	9,000
Redemption of redeemable ordinary shares	(9,000)	-	-	-
Actuarial gain on pension scheme	234	-	-	-
Deferred tax liability on actuarial gain on pension scheme	(70)	-	-	-
At 31 October 2007	19,592	-	230,605	9,000

15. Reconciliation of Movements in Shareholder's Funds

	2007 £'000	2006 £'000
Profit/(loss) for the year	6,038	(670)
Revaluation gain in the year	-	101,133
Redemption of redeemable ordinary shares	(9,000)	-
Actuarial gain on pension scheme	234	212
Deferred tax liability on actuarial gain on pension scheme	(70)	(64)
Net (decrease)/increase in shareholders funds	(2,798)	100,611
Opening shareholders funds	262,995	162,384
Closing shareholder's funds	260,197	262,995

16. Pensions

The company sponsors the Royal Lancaster Hotel Retirement Benefits Plan which is a defined contribution arrangement, although certain members have a defined benefit underpin to their emerging benefits. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2005 and updated on an approximate basis to 31 October 2007.

The contributions made by the employer over the financial year have been £273,000 (2006 £183,000). There are two groups of members:

- i Defined contribution members: The employer contributes a fixed 4.5% of Pensionable Salary.
- ii Members with a defined benefit underpin: The contribution is either 10.5% or 12.5% of Pensionable Salary depending on category.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2007

16 Pensions (continued)

These contribution rates are to continue until reviewed following the triennial valuation of the scheme due as at 5 April 2008

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions

	31 October 2007 %p.a.	31 October 2006 %p a.	31 October 2005 %p a
Inflation	3.3%	3.1%	2.9%
Rate of increase in salaries	4.8%	4.6%	4.4%
LPI pension in payment increases			
GMPs accrued before 6 April 1988	Nil	Nil	Nil
GMPs accrued after 5 April 1988	Nil	3.1%	2.9%
Excess over GMP accrued before 6 April 1997	Nil	Nil	Nil
Revaluation rate for deferred pensioners	3.3%	3.1%	2.9%
Discount rate	5.0%	5.0%	5.1%
Allowance for commutation of pension for cost at retirement	Nil	Nil	Nil

LPI is lesser of 5% per annum and the rate of increase in the Retail Prices Index

The mortality assumption's adopted at 31 October 2007 imply the following life expectancies at aged 65

	2007
Male currently age 40	23.2
Female currently age 40	26.0
Male currently age 65	21.9
Female currently age 65	24.8

The assets in the scheme and the expected rate of return were

	Long term rate of return expected at 31 October 2007 %p a	Value at 31 October 2007 £'000	Long term rate of return expected at 31 October 2006 %p a	Value at 31 October 2006 £'000	Long term rate of return expected at 31 October 2005 %p a	Value at 31 October 2005 £'000
Equities	7.5%	9,023	7.75%	8,474	7.75%	6,293
Fixed interest bonds	5.25%	3,021	4.75%	2,454	4.75%	2,554
Cash	5.5%	16	4.75%	24	4.5%	407
Total market value of assets		12,060		10,952		9,254
Present value of scheme liabilities		11,998		11,163		9,667
Surplus/(deficit) in the scheme		62		(211)		(413)
Related deferred tax (liability)/asset		(19)		63		124
Net pension asset/(liability)		43		(148)		(289)
Level of funding		100.5%		98.1%		95.7%

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16 Pensions (continued)

Analysis of the amount charged to operating profit

	2007	2006
	£'000	£'000
Current service cost	287	241
Past service cost	60	-
Total operating charge	347	241

Analysis of the amounts credited to other finance income

	2007	2006
	£'000	£'000
Expected return on pension scheme assets	389	296
Interest on pension scheme liabilities	(276)	(248)
Net return	113	48
Total charge to profit and loss account	234	193

Statement of total recognised gains and losses

	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	34	357
Percentage of scheme assets	0.3%	3.2%
Experience gains arising on the scheme liabilities	10	56
Effects of the changes in demographic and financial assumptions underlying the present value of the scheme liabilities	190	(201)
Percentage of present value of scheme liabilities	1.6%	1.8%
Actuarial gain	234	212

Movement in deficit during the year

	2007	2006
	£'000	£'000
Deficit in scheme at beginning of the year	(211)	(413)
Movement in year		
Current service cost	(287)	(241)
Net finance charge	113	48
Contributions	237	183
Past service costs	(60)	-
Actuarial gain	234	212
Surplus/(deficit) in scheme at end of the year	62	(211)

The valuation at 31 October 2007 showed a movement from a deficit position of £211,000 to a surplus of £62,000. Contributions in respect of the year ended 31 October 2008 are expected to be similar to those for 2007.

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16 Pensions (continued)

History of experience gains and losses

A liability of the amounts recognised in the statement of total recognised gains and losses for the current and previous for accounting year are as follows

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets					
amount	34	357	323	120	64
percentage of the scheme assets	0.3%	3.2%	3.5%	1.6%	0.9%
Experience gains/(losses) on scheme liabilities					
amount	10	56	(294)	210	(248)
percentage of the present value of the scheme liabilities	0.1%	0.5%	(3.0%)	2.7%	(3.5%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
amount	190	(201)	(267)	(90)	(121)
percentage of the present value of the scheme liabilities	1.6%	1.8%	2.8%	1.2%	1.7%
Total actuarial gain or loss					
amount	234	212	(238)	240	(305)
percentage of the present value of the scheme liabilities	2.0%	1.9%	2.5%	1.2%	4.4%

17. Operating Lease Commitments

The company has the following annual commitments under non-cancellable operating leases which expire -

	Land and buildings		Other	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
In two to five years	400	400	25	8
Over five years	2,355	2,355	-	-
	<u>2,755</u>	<u>2,755</u>	<u>25</u>	<u>8</u>

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18 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2007 £'000	2006 £'000
Operating profit	12,022	13,330
Depreciation	5,618	4,725
Increase in stock	(2)	(11)
Increase in debtors	(650)	(906)
Increase/(decrease) in creditors	1,067	(646)
Loss/(profit) on disposal of fixed assets	1,036	(5)
Net cash inflow	19,091	16,487

19. Analysis of Cash Flows for headings netted in the Cash Flow Statement

Returns on investment and servicing of finance

	2007 £'000	2006 £'000
Interest received	499	317
Interest paid	(5,363)	(4,567)
	(4,864)	(4,250)

Taxation

	2007 £'000	2006 £'000
Corporation tax paid	(1,771)	(1,038)
Corporation tax refund	-	84
	(1,771)	(954)

Capital expenditure and financial investment

	2007 £'000	2006 £'000
Purchase of tangible fixed assets	(3,979)	(2,245)
Proceeds on disposal of tangible fixed assets	5	-
	(3,974)	(2,245)

20. Analysis of net debt

	1 November 2006 £'000	Cash flow £'000	31 October 2007 £'000
Cash at bank and in hand	9,195	(518)	8,677
Debt due after 1 year	(84,600)	-	(84,600)
Net debt	(75,405)	(518)	(75,923)

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21. Ultimate Parent Company and Related Party Transactions

The ultimate parent company of The Lancaster Landmark Hotel Company Limited is Siam Property Development Company Limited, a company incorporated in Thailand. There is no one ultimate controlling party.

The immediate parent company, Landmark Overseas Development Company Limited, which is also incorporated in Thailand, charged management fees of £2,779,877 (2006 £2,578,165) to the company during the year. The balance due from Landmark Overseas Development Company Limited at 31 October 2007 was £1,041,285 (2006 £658,570 creditor).

LPD Limited, a fellow subsidiary of Landmark Overseas Development Company Limited, owns the K West hotel which is leased to the company. Rent charged in the year was £2,137,500 (2006 £2,277,671). The balance due from LPD Limited at 31 October 2007 was £500,000 (2006 £500,000).

LPD Two Limited, in which Landmark Overseas Development Company Limited holds an investment, owns 15 Basil Street which is leased to the company. Rent of £400,412 (2006 £355,037) was charged in the year. The amount due to LPD Two Limited at 31 October 2007 was £354,264 (2006 £354,264).