

**THE LANCASTER LANDMARK HOTEL  
COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 OCTOBER 2009**



**The Lancaster Landmark Hotel Company Limited**  
**For the year ended 31 October 2009**  
**Company Information**

**Directors**

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

**Secretary and Registered Office**

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

**Auditors**

Moore Stephens LLP  
150 Aldersgate Street  
London EC4M 7BP

**The Lancaster Landmark Hotel Company Limited**  
**Directors' Report**  
**For the year ended 31 October 2009**

The directors present their report and the audited financial statements for the year ended 31 October 2009 for the company, which is registered in England and Wales under reference 2832349

**Business Review and Principal Activities**

The company's principal activity is the ownership and management of a London hotel

The results for the company show a pre-tax profit of £2.04m (2008: £11.08m) on turnover of £28.3m (2008: £64m). Dividends of £12.85m (2008: £10.0m) were paid during the year.

The reduced profit for the year reflects effects of the economic downturn together with the transfer of certain hotel operations to other group companies in the prior period.

At the year end the company had a strong balance sheet with secured bank borrowing reduced from £55m to £44m, reflecting a prepayment of debt during the year.

**Business Environment**

The Hotel industry continues to be badly bruised as the impact of the most severe UK recession in 60 years takes its toll on corporate and leisure travel volumes and entertaining. In a highly competitive environment the company has been quick to respond with offers of added value to maximize volumes, albeit at the expense of room rate. The strength of the Euro has made the UK a bargain destination which has resulted in a significant increase in European leisure business. New supply has remained limited and centered around the Olympic village. Inflation has remained low and costs have been controlled.

**Strategy**

The company's objective is to achieve attractive rates of growth and returns through a focus on sales activity and efficient cost controls, and to maintain and enhance the value of its property.

**Future Outlook**

We remain cautious and believe that recovery will be fragile. However we are seeing signs of improvement in all market segments and believe that there is growing pent up demand particularly for meetings and events that should manifest itself during 2010. Overall we expect 2010 to be a more positive year.

**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 our 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 revenue source, although the impact of a terrorist attack in London would be significant.

**The Lancaster Landmark Hotel Company Limited**  
**Directors' Report (continued)**  
**For the year ended 31 October 2009**

**Principal Risks and Uncertainty (continued)**

**Economic Activity**

The company's continuing success is dependent on a stable domestic and international economy. We have in recent years had a period of uninterrupted growth combined with low interest rates, however the credit crunch has seen a fall in consumer spending with reduced business travel and conference bookings.

This will have a significant impact on the trading results of the current year, however we remain cautiously optimistic.

**Competition**

There are no new hotels planned for opening in 2010 with which we expect to compete directly.

**Key Performance Indicators**

The principal key performance indicator is revenue generated per room night. This decreased from £100 to £84, for the hotel owned throughout the two years ended 31 October 2009, reflecting the harsh economic environment.

**Directors and their Interests in the Company**

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

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

No director had a direct interest, as defined by the Companies Act 2006, in the share capital of the company or its immediate parent company at any time during the year ended 31 October 2009. With the exception of M Gemei and B Hladnik, the directors have indirect interests in the ultimate parent company.

**Market Value of Land and Buildings**

Given the uncertainties of hotel valuations in London at present together with the fact that the company has low gearing, the directors have decided to change the accounting policy to carry the property at cost. A prior year adjustment has been posted to reflect the change.

The directors consider the market value to be approximately £150m at 31st October 2009.

**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.

**The Lancaster Landmark Hotel Company Limited**  
**Directors' Report (continued)**  
**For the year ended 31 October 2009**

**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

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**

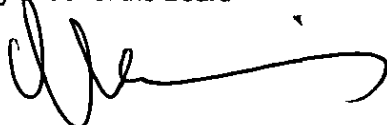
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable accounting regulations

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 Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Lancaster Landmark Hotel Company Limited for the year ended 31 October 2009 which are set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.


### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

150 Aldersgate Street  
London EC1A 4AB

30 July 2010

  
Paul Clark  
Senior Statutory Auditor  
For and behalf of Moore Stephens LLP  
Statutory Auditors

**The Lancaster Landmark Hotel Company Limited**  
**Profit and Loss Account**  
**For the year ended 31 October 2009**

	Note	2009 £'000	Continuing 2008 £'000	Discontinued 2008 £'000	2008 £'000
<b>Turnover</b>	1(e)	28,370	31,377	32,706	64,083
<b>Cost of sales</b>		(2,835)	(3,053)	(2,716)	(5,769)
<b>Gross profit</b>		25,535	28,324	29,990	58,314
<b>Administrative expenses</b>		(20,307)	(21,102)	(22,137)	(43,239)
<b>Operating profit</b>	2	5,228	7,222	7,853	15,075
<b>Interest receivable</b>	4	504			1,182
<b>Interest payable</b>	5	(3,689)			(5,177)
<b>Profit on ordinary activities before taxation</b>		2,043			11,080
<b>Taxation on profit on ordinary activities</b>	6	(513)			(2,980)
<b>Profit for the year</b>	14	1,530			8,100

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

**Statement of Total Recognised Gains and Losses**  
**For the year ended 31 October 2009**

	Note	2009 £'000	2008 £'000
<b>Profit for the year</b>		1,530	8,100
<b>Actuarial loss on defined benefit pension scheme</b>	16	(35)	(145)
<b>Deferred tax asset on actuarial loss</b>		10	45
<b>Total recognised gains and losses since last annual report</b>		1,505	8,000

**The Lancaster Landmark Hotel Company Limited**  
**Balance Sheet**  
**At 31 October 2009**

	Note	2009 £'000	(As restated) 2008 £'000
<b>Fixed assets</b>			
Tangible assets	7	66,101	67,238
<b>Current assets</b>			
Stocks	8	82	85
Debtors - Amounts falling due after more than one year	9	188,073	188,799
- Amounts falling due within one year	9	2,342	7,994
Cash at bank and in hand		1,791	8,940
		192,288	205,818
<b>Creditors: amounts falling due within one year</b>	10	(45,311)	(35,022)
<b>Net current assets</b>		146,977	170,796
<b>Total assets less current liabilities</b>		213,078	238,034
<b>Creditors: amounts falling due after more than one year</b>	11	(44,070)	(57,598)
<b>Provision for liabilities</b>	12	(5,939)	(6,087)
<b>Net assets excluding pension liability</b>		163,069	174,349
Pension liability	16	(180)	(105)
<b>Net assets</b>		162,889	174,244
<b>Capital and reserves</b>			
Share capital	13	1,000	1,000
Profit and loss account	14	152,889	164,244
Capital redemption reserve	14	9,000	9,000
<b>Shareholder's funds</b>	15	162,889	174,244

Approved by the Board on 14 July 2010

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M Gemei  
Director



**The Lancaster Landmark Hotel Company Limited**  
**Cash Flow Statement**  
**For the year ended 31 October 2009**

	<b>Note</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Net cash inflow from operating activities</b>	18	6,478	20,084
<b>Returns on investments and servicing of finance</b>	19	(3,185)	(4,019)
<b>Taxation</b>	19	(1,104)	(3,193)
<b>Capital expenditure and financial investment</b>	19	(768)	(1,586)
<b>Dividends Paid</b>		(12,850)	(10,000)
<b>Net cash inflow before financing</b>		<u>(11,429)</u>	<u>1,286</u>
<b>Financing</b>	19	4,280	(1,023)
<b>(Decrease)/increase in cash in the year</b>		<u>(7,149)</u>	<u>263</u>

**Reconciliation of Net Cash Flows to Movement in Net Debt**

<b>(Decrease)/increase in cash in the year</b>	20	(7,149)	263
<b>Change in net debt resulting from cash flows</b>	20	11,000	29,530
<b>Net debt at 1 November 2008</b>	20	<u>(46,130)</u>	<u>(75,923)</u>
<b>Net debt at 31 October 2009</b>	20	<u>(42,279)</u>	<u>(46,130)</u>

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

**1. Principal Accounting Policies**

**(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, 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.

As stated in note 22 a fellow group company has provided a guarantee to ensure that group liabilities falling due within one year can be met.

**(b) Tangible fixed assets**

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

Assets other than long leasehold land and buildings and operating equipment are being written off on a straight line basis over their remaining useful lives at the following rates -

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

It is the company's policy to maintain its long leasehold land and buildings to a high standard on an ongoing basis. The directors consider that the life of the property is so long and the residual value so high that 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) Change in accounting policy**

The company has adopted a policy to account for all of its tangible assets at cost. Accordingly the long leasehold property which was previously accounted for at valuation is recorded at cost. The effect of this change is that the value of land and building as at 31 October 2008 has been restated from £139.8m to £55.8m, a decrease of £84m, solely attributable to a movement in revaluation reserve. Current and prior year profits have been unaffected by this change.

**(d) Stocks**

Stocks are valued at the lower of cost and net realisable value.

**(e) 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.

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

**1. Principal Accounting Policies (Continued)**

(f) 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.

(g) 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.

(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 the transaction. Those exchange differences are reflected in the profit and loss account for the year.

(i) 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".

**2. Operating Profit**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging		
Depreciation	1,535	3,632
Auditors' remuneration - audit	30	75
- non audit (taxation)	5	10
Loss on disposal of fixed assets	398	6
Expenditure on repairs and maintenance	1,251	3,496
Operating lease rentals -		
Land and buildings	226	2,163
Other	11	25
	<hr/>	<hr/>

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

**3. Directors and Employees**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs include the following emoluments in respect of directors of the company		
Emoluments	-	219
Pension costs	-	17
	<u>-</u>	<u>236</u>

At the year end £ Nil (2008 £ Nil) was accrued by the company in respect of pension contributions for one director, in respect of a defined benefit arrangement. The director took his pension benefit during the prior year.

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

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages	7,801	15,887
Social security costs	772	1,485
Pension costs	202	406
	<u>8,775</u>	<u>17,778</u>

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

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Rooms	118	240
Catering	198	462
Sales	35	53
Administration	44	79
Service	12	40
	<u>407</u>	<u>874</u>

**4. Interest receivable**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	51	617
Interest on loan to fellow subsidiary undertaking	415	541
Net return on pension scheme assets and liabilities	-	24
Other interest	38	-
	<u>504</u>	<u>1,182</u>

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

**5. Interest payable**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan interest	850	5,066
Interest on inter-company loans	2,809	111
Net interest on pension scheme assets and liabilities	30	-
	<u>3,689</u>	<u>5,177</u>

**6. Taxation on profit on ordinary activities**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax on the profit for the year at 28% (2008 28.83%)	773	3,156
Adjustment to tax charge in respect of previous year	(87)	-
	<u>686</u>	<u>3,156</u>
Deferred taxation (note 12) - current year	(60)	(176)
- adjustment in respect of previous year	(88)	-
- pension scheme deficit	(25)	-
	<u>(173)</u>	<u>(176)</u>
Total	<u>513</u>	<u>2,980</u>

The actual tax charge for the current year is higher (2008 lower) than the standard rate of tax for the reasons set out below

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	2,079	11,080
Tax on profit on ordinary activities at 28% (2008 28.83%)	582	3,196
<i>Factors affecting the charge for the year</i>		
Disallowable expenditure	42	34
Reduced capital allowances	164	(92)
Other timing differences	(15)	18
Tax on profit on ordinary activities	<u>773</u>	<u>3,156</u>

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

**7. Tangible Fixed Assets**

	<b>Long Leasehold Land &amp; Buildings £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Fixtures, Fittings &amp; Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 November (as previously stated)	139,766	18,222	14,151	172,139
Prior year adjustment	(83,953)	-	-	(83,953)
At 1 November 2008	55,813	18,222	14,151	88,186
Additions	290	133	359	782
Disposals	-	(1,609)	(2,778)	(4,387)
At 31 October 2009	<u>56,103</u>	<u>16,746</u>	<u>11,732</u>	<u>84,581</u>
<b>Depreciation</b>				
At 1 November 2008	-	9,926	11,022	20,948
Charge for the year	-	830	705	1,535
Disposals	-	(1,533)	(2,470)	(4,003)
At 31 October 2009	<u>-</u>	<u>9,223</u>	<u>9,257</u>	<u>18,480</u>
<b>Net book value</b>				
At 31 October 2009	<u>56,103</u>	<u>7,523</u>	<u>2,475</u>	<u>66,101</u>
At 31 October 2008	<u>55,813</u>	<u>8,296</u>	<u>3,129</u>	<u>67,238</u>

The long leasehold property owned by the company is secured against a bank loan, as disclosed in note 11, together with bank loans to other group companies of £20,570,000 and loans from related parties of £40,530,000

**8. Stocks**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Raw materials and consumables	<u>82</u>	<u>85</u>

**9. Debtors**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Amounts falling due within one year		
Trade debtors	1,957	1,452
Amounts due from fellow subsidiary undertakings	-	6,124
Other debtors	22	33
Prepayments and accrued income	363	385
	<u>2,342</u>	<u>7,994</u>

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

**9. Debtors (continued)**

Amounts falling due after more than one year

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from fellow subsidiary undertakings (Note 22)	187,963	188,689
Other debtors	110	110
	<u>188,073</u>	<u>188,799</u>

Amounts due from fellow subsidiary undertakings include £183.3m from a fellow subsidiary, whose principle asset is a freehold property. Although the debt is repayable within 12 months of notice to repay, it can only currently be repaid on the disposal of the property, which is presently not for sale.

**10. Creditors: Amounts Falling Due Within One Year**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	413	480
Amounts due to intermediate parent undertakings (Note 22)	40,650	29,692
Amounts due to fellow subsidiary undertaking	354	354
Corporation tax	253	709
Other creditors	77	75
Other taxation and social security costs	928	885
Accruals and deferred income	1,212	1,122
Payments on account	1,424	1,705
	<u>45,311</u>	<u>35,022</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan	44,070	55,070
Amounts due to other related party	-	2,528
	<u>44,070</u>	<u>57,598</u>

The bank loan is secured by way of a mortgage over the property owned by the company, together with a charge over the other assets of the company. Interest is payable at an average rate of LIBOR plus 0.75%. The loan is repayable in full on 31 March 2011.

The company is a participant in a group banking arrangement under which the bank has a right of set off in respect of all balances advanced to group members. At 31 October 2009 the company was a guarantor in respect of other group bank borrowings of £20,570,000.

**The Lancaster Landmark Hotel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2009**

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

The bank loan is repayable as follows -

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Between one to two years	44,070	-
Between two and five years	-	55,070
	<u>44,070</u>	<u>55,070</u>

**12. Provision for Liabilities**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Deferred tax		
Liability as at 1 November 2008	6,087	15,143
Credit in the year (note 6)	(148)	(176)
Transfer on property disposal	-	(8,880)
At 31 October 2009	<u>5,939</u>	<u>6,087</u>
	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
The deferred tax liability consists of		
Accelerated capital allowances	<u>5,939</u>	<u>6,087</u>

**13. Share Capital**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
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

**14. Reserves**

	<b>Profit and loss account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Capital redemption reserve £'000</b>
At 1 November 2008	164,244	83,953	9,000
Prior year adjustment (note 23)	-	(83,953)	-
At 1 November 2008 (re stated)	<u>164,244</u>	<u>-</u>	<u>9,000</u>
Profit for the year	1,530	-	-
Dividends paid	(12,850)	-	-
Actuarial loss on pension scheme	(35)	-	-
At 31 October 2009	<u>152,889</u>	<u>-</u>	<u>9,000</u>



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**15. Reconciliation of Movements in Shareholder's Funds**

	<b>2009 £'000</b>	<b>2008 £'000</b>
At 1 November 2008	258,197	260,197
Prior year adjustment	(83,953)	(83,953)
Opening shareholder's funds (as re stated)	174,244	176,244
Profit for the year	1,530	8,100
Dividends paid	(12,850)	(10,000)
Actuarial loss on pension scheme	(35)	(145)
Deferred tax liability on actuarial gain on pension scheme	-	45
Closing shareholder's funds	162,889	174,244

**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 2008 and updated on an approximate basis to 31 October 2009.

The contributions made by the employer over the financial year were £171,000 (2008 £204,000). 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 ordinary rate of employer contribution is fixed at either 8% or 10% of Pensionable Salary depending on category. There is also an additional employer contingency contribution of 2.5% of Pensionable Salaries. The rate of this contingency contribution increased to 8.2% from November 2009.

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

	<b>31 October 2009 %p.a.</b>	<b>31 October 2008 %p.a.</b>	<b>31 October 2007 %p.a.</b>
Inflation	3.1%	3.5%	3.3%
Rate of increase in salaries	4.6%	5.0%	4.8%
LPI pension in payment increases			
GMPs accrued before 6 April 1988	Nil	Nil	Nil
GMPs accrued after 5 April 1988	Nil	Nil	Nil
Excess over GMP accrued before 6 April 1997	Nil	Nil	Nil
Revaluation rate for deferred pensioners	3.1%	3.5%	3.3%
Discount rate	5.7%	7.4%	5.8%
Allowance for commutation of pension for cost at retirement	Nil	Nil	Nil

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**16. Pensions (Continued)**

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

The mortality assumptions adopted at 31 October 2009 imply the following life expectancies at age 65

	<u>2008</u>
Male currently aged 40	24.7 years
Female currently aged 40	27.1 years
Male currently aged 65	22.2 years
Female currently aged 65	24.8 years

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

	Long term rate of return expected at 31 October 2009 %p a	Value at 31 October 2009 £'000	Long term rate of return expected at 31 October 2008 %p a	Value at 31 October 2008 £'000	Long term rate of return expected at 31 October 2007 %p a	Value at 31 October 2007 £'000
Equities		5,917	8.5%	4,683	7.5%	9,023
Fixed interest bonds		4,355	5.00%	3,521	5.25%	3,021
Cash		198	4.5%	414	5.5%	16
<b>Total market value of assets</b>		<b>10,470</b>		<b>8,618</b>		<b>12,060</b>
<b>Present value of scheme liabilities</b>		<b>10,720</b>		<b>8,768</b>		<b>11,998</b>
(Deficit)/surplus in the scheme		(250)		(150)		62
Related deferred tax asset/(liability)		70		45		(19)
<b>Net pension (liability)/asset</b>		<b>(180)</b>		<b>(105)</b>		<b>43</b>
<b>Level of funding</b>		<b>97.7%</b>		<b>98.3%</b>		<b>100.5%</b>

**Analysis of the amount charged to operating profit**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Current service cost	206	295
Past service cost	-	-
<b>Total operating charge</b>	<b>206</b>	<b>295</b>

**Analysis of the amounts credited to other finance income**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Expected return on pension scheme assets	301	371
Interest on pension scheme liabilities	(331)	(347)
<b>Net return</b>	<b>(30)</b>	<b>24</b>
<b>Total charge to profit and loss account</b>	<b>236</b>	<b>271</b>

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**16. Pensions (Continued)**

**Statement of total recognised gains and losses**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Actual return less expected return on pension scheme assets	697	(1,296)
Percentage of scheme assets	6.66%	15.0%
Experience gains arising on the scheme liabilities	180	(10)
Effects of the changes in demographic and financial assumptions underlying the present value of the scheme liabilities	(912)	1,161
Percentage of present value of scheme liabilities	8.5%	13.2%
<b>Actuarial loss</b>	<b>(35)</b>	<b>(145)</b>

**Movement in deficit during the year**

	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>(Deficit)/Surplus in scheme at beginning of the year</b>	<b>(150)</b>	<b>62</b>
Movement in year		
Current service cost	(206)	(295)
Net finance charge	(30)	24
Contributions	171	204
Actuarial loss	(35)	(145)
<b>Deficit in scheme at end of the year</b>	<b>(250)</b>	<b>(150)</b>

The valuation at 31 October 2009 showed a movement from a deficit position of £150,000 to a deficit of £250,000. The company expects to contribute £98,000 to the scheme in 2010 which is similar to that for 2009.

**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:

	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Difference between the expected and actual return on scheme assets</b>					
amount	697	(1,296)	34	357	323
percentage of the scheme assets	6.66%	15.0%	0.3%	3.2%	3.5%
<b>Experience gains/(losses) on scheme liabilities</b>					
amount	180	(10)	10	56	(294)
percentage of the present value of the scheme liabilities	1.7%	0.1%	0.1%	0.5%	(3.0%)

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**16. Pensions (Continued)**

**History of experience gains and losses (continued)**

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
amount	(912)	1,161	190	(201)	(267)
percentage of the present value of the scheme liabilities	8.5%	13.2%	1.6%	1.8%	2.8%
Total actuarial gain or loss					
amount	(35)	(145)	234	212	(238)
percentage of the present value of the scheme liabilities	0.3%	1.7%	2.0%	1.9%	2.5%

**17. Operating Lease Commitments**

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

	Land and buildings		Other	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
In two to five years	-	400	11	25
Over five years	216	2,355	-	-
	<u>216</u>	<u>2,755</u>	<u>11</u>	<u>25</u>

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

	2009 £'000	2008 £'000
Operating profit	5,228	15,075
Depreciation	1,535	3,632
Increase in stock	3	42
(Increase)/decrease in debtors	(472)	3,550
Increase/(decrease) in creditors	(214)	(2,221)
Loss on disposal of fixed assets	398	6
Net cash inflow	<u>6,478</u>	<u>20,084</u>

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

**Returns on investment and servicing of finance**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest received	504	1,158
Interest paid	(3,689)	(5,177)
	<u>(3,185)</u>	<u>(4,019)</u>

**Taxation**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax paid	(1,141)	(3,502)
Corporation tax refund	37	309
	<u>(1,104)</u>	<u>(3,193)</u>

**Capital expenditure and financial investment**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(768)	(1,938)
Proceeds on disposal of tangible fixed assets	-	352
	<u>(768)</u>	<u>(1,586)</u>

**Financing**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Inter-company loans	15,280	28,507
Repayment of term debt	(11,000)	(29,530)
	<u>4,280</u>	<u>(1,023)</u>

**20. Analysis of net debt**

	<b>1 November</b>	<b>Cash flow</b>	<b>31 October</b>
	<b>2008</b>		<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	8,940	(7,149)	1,791
Debt due after 1 year	(55,070)	11,000	(44,070)
Net debt	<u>(46,130)</u>	<u>3,851</u>	<u>(42,279)</u>

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**21. Ultimate Parent Company**

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 is Lancaster Hotel Jersey Limited.

**22. Related Party Transactions**

The directors have taken advantage of the exemption provided by FRS8 and have therefore not disclosed transactions with wholly owned entities which form part of the group headed by Siam Property Development Company Limited.

At 31 October 2009 the company owed Landmark Overseas Development Company Limited £119,827 (2008: £162,047) and K West Hotel Jersey Limited £354,264 (2008: £354,264) on interest free loans.

Following the disposal of certain hotel interests to fellow subsidiary companies in the prior year the following balances were due to the company at 31 October 2009:

Landmark Hotel London Limited	£183,338,930
K West Hotel London Limited	£3,772,969
Basil Street Apartments London Limited	£851,179

These loans are repayable within 12 months of written notice to repay and are interest free, other than £30.7m of the amount due from Landmark Hotel London Limited, which bears interest at an average rate of Libor plus 0.75%.

At 31 October 2009 the company owed £40.53m to LODJ Limited, a fellow group company, under the terms of a one year bond issued on 1 October 2009, repayable at a value of £42.96m on 30 September 2010.

During the year interest of £1,337,136 was paid to Estonian Investments Limited, a related party, in respect of borrowings existing at 31 October 2008, but repaid during the year ended 31 October 2009.

A fellow group company has provided a financial guarantee in the event that the company is unable to meet its liabilities falling due within one year.

**23. Prior Year Adjustment**

Comparative figures have been restated to reflect the adjustments resulting from the change in accounting policy relating to fixed assets. The effect of this adoption has resulted in the restatement of reserves.