

Company No: 2832349

**THE LANCASTER LANDMARK HOTEL
COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2015**

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The Lancaster Landmark Hotel Company Limited
For the year ended 31 October 2015
Company Information

Directors

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

Secretary and Registered Office

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

Auditors

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

The Lancaster Landmark Hotel Company Limited
Strategic Report
For the year ended 31 October 2015

Business Review and Principal Activities

The company's principal activity is the ownership and management of the Lancaster London Hotel.

The results for the company show a pre-tax profit of £3.1m (2014: £4.6m) on turnover of £30.6m (2014: £31.4m). No dividend was paid during the year (2014: £Nil).

The result for the year reflects efforts to control expenses while maintaining revenue in a challenging economic climate.

Business Environment

The UK economy has slowed a little in 2015 but domestic growth remains relatively strong helped by lower oil prices.

In London, the occupancy was expected to grow at 1% taking occupancy to 84% and ADR expected to grow at 1.8% taking ADR to £142 and this is partly due to the Rugby World Cup in the second half of 2015.

Future Outlook

In 2016, growth is forecasted to be at a slower pace with marginal occupancy growth of 0.3% which will keep occupancy at 84% and a 2.2% growth in ADR which will mean rates of £145. The combination will drive RevPAR growth of 2.3% to take yields to £122.

Key Performance Indicators

The principal key performance indicator is room revenue generated per available room night. The 2014's figure of £115 has fallen to £112 which resulted from the refurbishment taking place during the year but every effort has been put into revenue management to deal with a reduced inventory.

Principal Risks and Uncertainty

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 programmes, 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 where possible to prevent over dependence on any single revenue source.

The Lancaster Landmark Hotel Company Limited
Strategic Report
For the year ended 31 October 2015

Economic Activity

In 2015 as a whole the UK economy grew 2.2% - significantly less than the 2.9% posted in 2014. The Office for Budget Responsibility had forecast that the UK economy would grow 2.4% in 2015 but it soon became clear that forecast would be missed. Production output declined 0.2% in the fourth quarter and construction was down by 0.1% whereas the dominant services sector grew by 0.7%

The National Institute of Economic and Social Research expects the economy to grow by 2.3 % in 2016, primarily driven by consumer spending and picking up a bit of speed from growth of 2.2 % in 2015. Inflation will rise to just 0.3% in 2016 underscoring why the bank of England is unlikely to raise interest rates any time soon. Inflation in 2015 was zero according to national data.

Competition

We are not aware of any new hotels planned for opening in 2016 with which we would expect to compete directly.

By Order of the Board



M. Gemei

Director

11th May 2016

The Lancaster Landmark Hotel Company Limited
Directors Report
For the year ended 31 October 2015

The directors present their report and the audited financial statements for the year ended 31 October 2015, which is registered in England and Wales under reference 2832349.

Directors

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

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

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.

Provision of Information to 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) all the steps that ought to have been taken as a director, including making appropriate enquiries of the company's auditors for that purpose, have been taken, in order to be aware of any information needed by the company's auditors in connection with preparing their report 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 2015

Statement of Directors' Responsibilities


The directors are responsible for preparing the Strategic Report and 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 year. 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 to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



M. Gemei
Director

31st May 2016

Independent Auditor's Report to the Members of the Lancaster Landmark Hotel Company Limited

We have audited the financial statements of The Lancaster Landmark Hotel Company Limited for the year ended 31st October 2015 which are set out on pages 7 to 22. 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st October 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

Paul Clark, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London, EC1A 4AB

22nd Jan 2016

The Lancaster Landmark Hotel Company Limited
Profit and Loss Account
For the year ended 31 October 2015

	Note	2015 £'000	2014 £'000
Turnover	1(e)	30,574	31,438
Cost of sales		<u>(2,727)</u>	<u>(2,737)</u>
Gross profit		27,847	28,701
Administrative expenses		<u>(23,322)</u>	<u>(22,265)</u>
Operating profit	2	4,525	6,436
Interest receivable and similar income	4	215	62
Interest payable and similar charges	5	<u>(1,629)</u>	<u>(1,886)</u>
Profit on ordinary activities before taxation		3,111	4,612
Taxation on profit on ordinary activities	6	<u>(736)</u>	<u>(1,145)</u>
Profit for the year	14	<u>2,375</u>	<u>3,467</u>

The results for the year arose from continuing activities.

Statement of Total Recognised Gains and Losses
For the year ended 31 October 2015

	Note	2015 £'000	2014 £'000
Profit for the year		2,375	3,467
Actuarial (loss)/gain on defined benefit pension scheme	16	(573)	17
Deferred tax on actuarial gain/(loss)		<u>122</u>	<u>(4)</u>
Total recognised gains and losses since last annual report		<u>1,924</u>	<u>3,480</u>

The Lancaster Landmark Hotel Company Limited
Balance Sheet
At 31 October 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	7	<u>84,382</u>	<u>74,963</u>
Current assets			
Stocks	8	53	49
Debtors:			
Amounts falling due after more than one year	9	97,054	101,054
Amounts falling due within one year	9	3,667	6,587
Cash at bank and in hand		<u>5,252</u>	<u>3,097</u>
		106,026	110,787
Creditors: amounts falling due within one year	10	<u>(48,519)</u>	<u>(6,101)</u>
Net current assets		<u>57,507</u>	<u>104,686</u>
Total assets less current liabilities		141,889	179,649
Creditors: amounts falling due after more than one year	11	-	(40,000)
Provision for liabilities	12	<u>(1,891)</u>	<u>(1,879)</u>
Net assets excluding pension surplus		139,998	137,770
Pension surplus	16	<u>4</u>	<u>308</u>
Net assets		<u>140,002</u>	<u>138,078</u>
Capital and reserves			
Share capital	13	1,000	1,000
Profit and loss account	14	130,002	128,078
Capital redemption reserve	14	<u>9,000</u>	<u>9,000</u>
Shareholder's funds	15	<u>140,002</u>	<u>138,078</u>

Approved by the Board and authorised for issue on

31st May 2016

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M. Gemei
Director

Company Number 2832349

The Lancaster Landmark Hotel Company Limited
Cash Flow Statement
For the year ended 31 October 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	18	12,664	3,182
Returns on investments and servicing of finance	19	(1,610)	(1,824)
Taxation	19	(710)	(3,498)
Capital expenditure and financial investment	19	(12,189)	(1,805)
Dividends Paid		<u>-</u>	<u>-</u>
Net cash outflow before financing		(1,845)	(3,945)
Financing		<u>4,000</u>	<u>-</u>
Increase/(Decrease) in cash in the year	20	<u><u>2,155</u></u>	<u><u>(3,945)</u></u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

1. Principal Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and applicable law (Generally Accepted Accounting Practice). The financial statements for the year ended 31 October 2016 will be issued under FRS 102.

(b) Going concern

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. The financial statements have, accordingly, been prepared on the going concern basis.

(c) Tangible fixed assets

Tangible fixed assets are stated at historical cost 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	- 5-33% per annum
Plant and machinery	- 5-20% 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 higher 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 together costing over £1,000, in which case they are considered as a group and are capitalised.

(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.

(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. 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 2015

1. Principal Accounting Policies (Continued)

(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. The 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 scheme rules and 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

	2015	2014
	£'000	£'000
Operating profit is stated after charging:		
Depreciation	2,573	2,121
Auditors' remuneration - audit	35	32
- non audit (taxation and others)	6	6
Loss on disposal of fixed assets	4	-
Expenditure on repairs and maintenance	1,169	1,200
Operating lease rentals:-		
Land and buildings	950	950
Other	20	20

3. Directors and Employees

There were no directors emoluments paid during the year (2014: £Nil).

Staff costs during the year were as follows:

	2015	2014
	£'000	£'000
Wages and salaries	8,514	8,442
Social security costs & related	623	632
Pension costs	184	197
	<u>9,321</u>	<u>9,271</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

3. Directors and Employees (Continued)

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

	2015 No.	2014 No.
Rooms	112	85
Catering	191	161
Sales	20	19
Administration	33	32
Service	13	14
	<u>369</u>	<u>311</u>

4. Interest Receivable and Similar Income

	2015 £'000	2014 £'000
Bank interest	19	28
Net return on pension scheme assets and liabilities	196	34
	<u>215</u>	<u>62</u>

5. Interest Payable and Similar Charges

	2015 £'000	2014 £'000
Discount on inter-company bond	1,605	1,764
Other interest payable	24	122
	<u>1,629</u>	<u>1,886</u>

6. Taxation on Profit on Ordinary Activities

	2015 £'000	2014 £'000
Corporation tax on the profit for the year at 20.41% (2014: 21.83%)	778	652
Adjustment in respect of prior years	(84)	-
	<u>694</u>	<u>652</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

6. Taxation on Profit on Ordinary Activities (Continued)

	2015 £'000	2014 £'000
Deferred taxation (note 12)		
Current year	12	515
- adjustment in respect of previous year	(8)	(65)
- pension scheme deficit	38	43
	<u>42</u>	<u>493</u>
Total	<u>736</u>	<u>1,145</u>

The adjustment in respect of prior periods related to a fall in the mainstream corporation tax rate from 21.83% to 20.41%.

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

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	<u>3,111</u>	<u>4,612</u>
Tax on profit on ordinary activities at 20.41% (2014: 21.83%)	635	1,006
<i>Factors affecting the charge for the year:</i>		
Disallowable expenditure	31	30
Transfer pricing adjustment	711	761
Reversal of transfer pricing adjustment	(711)	(761)
Capital allowances in excess of depreciation	(186)	63
Other timing differences including FRS 17 adjustment	(30)	(39)
Short term timing differences	328	(408)
Tax on profit on ordinary activities	<u>778</u>	<u>652</u>

7. Tangible Fixed Assets

	Long Leasehold Land & Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost				
At 1 November 2014	59,403	24,452	14,729	98,584
Additions	157	9,623	2,426	12,206
Disposals	-	(2)	(15)	(17)
Release of retentions no longer due	(197)	-	-	(197)
At 31 October 2015	<u>59,363</u>	<u>34,073</u>	<u>17,140</u>	<u>110,576</u>
Depreciation				
As 1 November 2014	-	12,585	11,036	23,621
Charge for the year	-	1,442	1,143	2,585
Disposals	-	-	(12)	(12)
At 31 October 2015	<u>-</u>	<u>14,027</u>	<u>12,167</u>	<u>26,194</u>
Net book value				
At 31 October 2015	<u>59,363</u>	<u>20,046</u>	<u>4,973</u>	<u>84,382</u>
At 31 October 2014	<u>59,403</u>	<u>11,867</u>	<u>3,693</u>	<u>74,963</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

8. Stocks

	2015	2014
	£'000	£'000
Raw materials and consumables	<u>53</u>	<u>49</u>

9. Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,527	1,229
Amount due from fellow subsidiary undertakings (note 22)	1,533	4,616
Other debtors	41	68
Corporation Tax	-	140
Prepayments and accrued income	<u>566</u>	<u>534</u>
	<u>3,667</u>	<u>6,587</u>
Amounts falling due after more than one year:		
Amount due from fellow subsidiary undertaking (note 22)	96,946	100,946
Other debtors	<u>108</u>	<u>108</u>
	<u>97,054</u>	<u>101,054</u>

The amount due from a fellow subsidiary undertaking of £96.9m (2014: £100.9m) relates to a fellow subsidiary whose principal 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

	2015	2014
	£'000	£'000
Trade creditors	936	972
Amounts due to fellow subsidiary undertakings (note 22)	42	38
Amounts due to intermediate parent undertakings (note 22)	40,181	654
Other creditors	124	97
Other taxation and social security costs	483	844
Corporation Tax	743	-
Accruals and deferred income	4,018	1,395
Payments on account	<u>1,992</u>	<u>2,101</u>
	<u>48,519</u>	<u>6,101</u>

11. Creditors: Amounts Falling Due After One Year

	2015	2014
	£'000	£'000
Amount due to intermediate parent undertaking (note 22)	<u>-</u>	<u>40,000</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

12. Provision for Liabilities

	2015 £'000	2014 £'000
Deferred tax		
At 1 November 2014	1,879	1,429
Movement in the year (note 6)	12	450
At 31 October 2015	<u>1,891</u>	<u>1,879</u>
The deferred tax liability consists of:		
Accelerated capital allowances	<u>1,891</u>	<u>1,879</u>
	<u>1,891</u>	<u>1,879</u>

13. Share Capital

	2015 £'000	2014 £'000
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

Profit and Loss Account

	2015 £'000	2014 £'000
At 1 November 2014	128,078	124,598
Profit for the year	2,375	3,467
Actuarial (loss) /gain on pension scheme	(451)	13
At 31 October 2015	<u>130,002</u>	<u>128,078</u>
Capital redemption reserve		
At 31 October 2014 and 2015	<u>9,000</u>	<u>9,000</u>

15. Reconciliation of Movements in Shareholder's Funds

	2015 £'000	2014 £'000
At 1 November 2014	138,078	134,598
Profit for the year	2,375	3,467
Actuarial (loss) /gain on pension scheme	(451)	13
At 31 October 2015	<u>140,002</u>	<u>138,078</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

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 2014 and updated on an approximate basis to 31 October 2015.

The contributions made by the employer over the financial year were £86,000 (2014: £90,000). There are two groups of members:

- i. Defined contribution members. Contribution to this section of the scheme ceased in 2009.
- 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. The employer also pays additional contingency contributions; which were 8.2% of Pensionable Salary up to May 2015 and are now paid at 13.6% of Pensionable Salary. Members contribute 8% of pensionable salary.

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 2015 %p.a.	31 October 2014 %p.a.	31 October 2013 %p.a.
Inflation (RPI)	2.9%	3.1%	3.2%
Rate of increase in salaries	3.8%	4.0%	4.7%
LPI pension in payment increases			
Discount rate	3.8%	3.9%	4.3%
Allowance for commutation of pension for cost at retirement	Nil	Nil	Nil

The mortality assumptions adopted at 31 October 2015 imply the following life expectancies at age 65:

	2015
Male retiring at age 65 in 2015	22.3 years
Female retiring at age 65 in 2015	24.3 years
Male retiring at age 65 in 2034	24.1 years
Female retiring at age 65 in 2034	26.2 years

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

16. Pensions (Continued)

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

	Long term rate of return expected at 31 October 2015 %p.a.	Value at 31 October 2015 £'000	Long term rate of return expected at 31 October 2014 %p.a.	Value at 31 October 2014 £'000	Long term rate of return expected at 31 October 2013 %p.a.	Value at 31 October 2013 £'000
Equities	6.8%	7,906	7.3%	9,688	6.8%	10,322
Fixed interest bonds	3.2%	3,813	3.3%	3,671	2.7%	2,619
Cash	0.2%	(18)	0.5%	3	0.5%	3
Total market value of assets		11,701		13,362		12,944
Unrecoverable Surplus not recognised as an asset		-		(50)		-
Present value of scheme liabilities		(11,695)		(12,912)		(12,747)
Surplus in the scheme		6		400		197
Related deferred tax asset/(liability)		(2)		(92)		(47)
Net pension asset		4		308		150
Level of funding		100.05%		102.9%		101.6%
		2015 £'000		2014 £'000		2013 £'000
Market Value of Scheme Assets		11,701		13,362		12,944
Unrecoverable Surplus not Recognised as an Asset				(50)		-
Present Value of Scheme Assets		(11,695)		(12,912)		(12,747)
Surplus		6		400		197

The unrecoverable surplus is the excess surplus which will not be recoverable from reduced contributions

Analysis of the amount charged to operating profit

	2015 £'000	2014 £'000
Current service cost	103	100
Past service cost	-	-
Total operating charge	103	100

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

16. Pensions (Continued)

Analysis of the amounts credited to other finance income

	2015 £'000	2014 £'000
Expected return on pension scheme assets	471	550
Interest on pension scheme liabilities	<u>(325)</u>	<u>(354)</u>
Net return	<u>146</u>	<u>196</u>
Total credit to profit and loss account	<u>(43)</u>	<u>(96)</u>

Movement in deficit during the year

	2015 £'000	2014 £'000
Surplus in scheme at beginning of the year	400	197
Movement in year:		
Current service cost	(103)	(100)
Net finance charge	196	196
Contributions	86	90
Actuarial gain/(loss)	<u>(573)</u>	<u>17</u>
Surplus in scheme at end of the year	<u>6</u>	<u>400</u>

The valuation at 31 October 2015 shows a movement from a surplus of £400,000 to a surplus of £6,000.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

16. Pensions (Continued)

History of experience gains and losses

An analysis of the amounts recognised in the statement of total recognised gains and losses for the current and previous accounting year is as follows:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on scheme assets:					
Amount	91	229	999	354	(130)
Percentage of the scheme assets	0.8%	1.7%	8.03%	3.2%	-1.26%
Unrecoverable Surplus not Recognised as an Asset					
Amount	-	(50)	-	-	-
Percentage of the scheme assets	0%	-0.4%	0%	0%	0%
Experience gains/(losses) on scheme liabilities:					
Amount	(483)	51	(590)	68	(142)
Percentage of the present value of the scheme liabilities	-4.1%	0.4%	4.6%	1.3%	-1.4%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:					
Amount	(180)	(213)	(499)	(396)	257
Percentage of the present value of the scheme liabilities	-1.54%	-1.65%	-3.9%	-3.7%	-2.51%
Total actuarial loss or gain					
Amount	(572)	17	(90)	26	(15)
Percentage of the present value of the scheme liabilities	-4.9%	0.1%	0.7%	0.2%	-0.1%

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

17. Operating Lease Commitments

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

	Land and buildings		Other	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Over five years	<u>950</u>	<u>950</u>	<u>-</u>	<u>-</u>

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

	2015 £'000	2014 £'000
Operating profit	4,525	6,436
Depreciation	2,573	2,121
(Decrease) / Increase in stock	(4)	3
Decrease/ (Increase) in debtors	3,637	(3,737)
Increase / (Decrease) in creditors	1,884	(1,654)
Decrease in provisions	<u>49</u>	<u>13</u>
Net cash inflow	<u>12,664</u>	<u>3,182</u>

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

Returns on investment and servicing of finance

	2015 £'000	2014 £'000
Interest received	19	62
Interest paid	<u>(1,629)</u>	<u>(1,886)</u>
	<u>(1,610)</u>	<u>(1,824)</u>

Taxation

	2015 £'000	2014 £'000
Corporation tax paid	(710)	(3,514)
Corporation tax refunded	<u>-</u>	<u>16</u>
	<u>(710)</u>	<u>(3,498)</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

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

Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(12,206)	(1,805)
Disposal of tangible fixed assets	17	-
	<u>(12,189)</u>	<u>(1,805)</u>

20. Analysis of net debt

	31 October 2014 £'000	Cash flow £'000	31 October 2015 £'000
Cash at bank and in hand	3,097	2,155	5,252
Bonds	<u>(40,400)</u>	<u>400</u>	<u>(40,000)</u>
Net debt	<u>(37,303)</u>	<u>2,555</u>	<u>(34,748)</u>

21. Ultimate Parent Company

The ultimate parent company of Lancaster Landmark Hotel Company Limited is Landmark Overseas Development Company Limited, a company incorporated in Thailand. The ultimate controlling party is Mr. J. Sihanatkathakul.

The immediate parent company is Lancaster Hotel Jersey Limited.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2015

22. Related Party Transactions

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

At 31 October 2015 the company owed Landmark Overseas Development Company Limited £181,230 (2014: £254,292) in respect of management fees.

At 31 October 2015 the company had the following balances due (to)/from fellow subsidiary companies:

	<u>2015</u>	<u>2014</u>
Landmark Hotel London Limited:	£1,533,769	£610,000
K West Hotel London Limited:	-	(£4,234)
Basil Street Apartments London Limited:	(£42,106)	(£34,442)

Following the disposal of certain hotel interests to fellow subsidiary companies in a prior year the company was also owed £96,945,506 (2014: £100,945,506) by Landmark Hotel London Limited at 31 October 2015. The loan is repayable within 12 months of written notice to repay and is interest free.

At 31 October 2015 the company was owed £Nil (2014: £4,006,055) from the Landmark Hotel London Limited in respect of funds transferred and invested during the year.

At 31 October 2015 the company owed £ 40.0m (2014: £40.4m) to LODJ Limited, an intermediate parent company, under the terms of a two year bond issued on 17 October 2014 repayable at a value of £43.19m on 30 September 2016. Accruals include £1,670,565 (2014: £187,950) in respect of discount on the bond.

A fellow subsidiary company has given a guarantee to provide sufficient financial support to enable the company to continue as a going concern until, at the earliest, 31 May 2017.