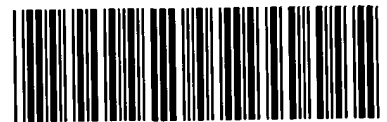


Company No: 02832349

**THE LANCASTER LANDMARK HOTEL
COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2019**

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The Lancaster Landmark Hotel Company Limited
For the year ended 31 October 2019
Company Information

Directors

J. Sihanatkathakul (Resigned 27th February 2020)
M. Gemei
B. Hladnik
T. Sihanatkathakul
T. Sihanatkathakul
P. Stockton (Appointed 1st June 2020)

Secretary and Registered Office

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

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

The Lancaster Landmark Hotel Company Limited
Strategic Report
For the year ended 31 October 2019

Business Review

The company's principal activities are the provision of five-star deluxe hotel services.

Total revenue for the year increased by £8m from £30m to £38m; an increase of 29%. The biggest proportion of the revenue growth came from room sales through a combination of a 12% increase in occupancy and a 10% increase in average daily rate.

Other revenue generating departments also had a strong growth year. Conference and banqueting revenues grew by 19% and food and beverage outlets by 31%.

Profitability for the year was excellent with growth in Gross Operating Profit of 30% (2019 £35.3M: 2018 £27.1M). Net Operating Profit before Interest & Tax increased markedly from a loss of £516k to a profit of £3.4m.

The balance sheet at 31st October 2019 showed net assets of £123.3m, unchanged from the previous year. Cash at the year-end was healthy at £13.5m, an increase of £790k.

Recognising the importance of people for our business, The Royal Lancaster leadership team continued to place considerable emphasis and effort on developing all team members and increasing employee engagement. These efforts brought great recognition over the last year with the hotel being awarded position 50 in the Sunday Times 100 Best Companies to work for. Our General Manager, Sally Beck received "Hotelier of the Year" from the Catey's, the hospitality industry's equivalent of the Oscars. The Royal Lancaster was also awarded "Employer of the Year" from Springboard, Silver "Best Event Venue over 1,000 attendees" and an Accessibility Award from Blue Badge Access Awards. We have also been recognised for environmental best practices with a Green Apple Environmental Award.

Business Environment

With Brexit a major issue, the hotel trading environment has remained generally positive. The falling value of sterling has made the UK more competitive for overseas visitors and concurrently encouraged domestic tourism. This is positive for the hotel industry.

Sterling devaluation has increased costs either directly or indirectly and in particular the cost of importing raw materials such as food and drink for hotels. Low UK unemployment rates, a reduction in EU workers, and above-inflation increases in the minimum wage, have all contributed to increased costs associated with acquiring, training and retaining staff. In addition, utilities bills continue to increase at around 3 times the UK inflation rate.

Future Outlook

The Covid pandemic, which started after the year-end has had a catastrophic effect on the hospitality and travel industry. Lockdown measures combined with travel quarantines have resulted in an unprecedented reduction in occupancy and turnover. 2020 total revenue is anticipated to close at £18.3m compared to £38m last year. Any recovery in 2021 will be slow with revenues not expected to exceed £28m. In the light of the downturn the Directors have taken advantage of government support and have implemented appropriate cost and payroll reduction measures to ensure the continuing operation of the business.

Key Performance Indicators

The principal key performance indicator is room revenue generated per available room night (REVPAR). The 2018 figure of £108.78 increased to £147.47 for 2019, reflecting strong visitor growth in London and the repositioning of the hotel product following renovation and refurbishment, together with concerted revenue management. Gross Operating Profit per available room night (GOPPAR) increased by an impressive 46% year on year.

The Lancaster Landmark Hotel Company Limited
Strategic Report
For the year ended 31 October 2019

Principal risks and uncertainties

Economic Activity

The UK is in the largest recession on record. The latest estimates from the Office for National Statistics show that the UK economy is now 17.2% smaller than it was in February 2020, the effects of which have been most pronounced in those industries that have been most exposed to public health restrictions and the effects of social distancing. Quarter 2 (April to June) 2020 was 22.1% below Quarter 4 (Oct to Dec) 2019, which is more than three times greater than the total fall during the global economic downturn of 2008 to 2009. Monthly gross domestic product (GDP) rose by 8.7% during June 2020 but was still 17.2% below February 2020 levels.

The Services sector contracted by 18.9% between March and May and fell by 24.4% since February. By far the worst affected service industry was accommodation and food, which shrank by 71.7%. The closure of schools and lower levels of non-urgent healthcare activity led output in the education and health sectors to fall by 37.8% and 31.4% respectively. Continued uncertainty about the economy and job prospects are likely to dampen consumer spending as consumers defer major purchase decisions and discretionary spend. Businesses face weak demand due to slow growth in the UK and globally.

Competition

New hotel building in London is at peak levels with 6,500 rooms added this year. In the past five years 29,000 new rooms have been added to The London hotel room stock. Hotels are generally location driven and there are no new hotels planned within the immediate vicinity of The Royal Lancaster.

Post Balance Sheet Events including Covid-19

The UK COVID-19 outbreak developed rapidly in March 2020, with a significant number of infections. Measures taken by government to contain the virus have affected economic activity resulting in the directors assessing the impact on the Company's future activities and cash resources.

Following Government advice, the hotel closed on 1st April 2020. The majority of staff were subsequently furloughed following closure. Further, the Company has taken advantage of the other measures the Government provided, including a rates holiday, job retention system and deferment of VAT payment till March 2021. The Company's cost base has reduced significantly to a more manageable level.

In addition, and given the impact of Covid-19, the directors have reassessed the budget for the rest of 2020: Despite the hotel's closure and expected reduced occupancy once the hotel can reopen, they believe, with the current cash resources available to the Company, and with the ongoing financial support available from group companies, the Company continues to be a going concern and has sufficient resources to pay its liabilities when due.

The directors consider the impact of Covid-19 is a non-adjusting post balance sheet event.

By Order of the Board on 30 September 2020



M. Gemei
Director

The Lancaster Landmark Hotel Company Limited
Directors' Report
For the year ended 31 October 2019

The directors present their report and the audited financial statements for the year ended 31 October 2019, which is registered in England and Wales under reference 02832349.

Directors

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

J. Sihanatkathakul (Resigned 27th February 2020)
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.

Going concern

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotel after the year end, as it has all UK hotels. It is too early to know the precise impact this will have on trading for the year ended 2020 and the years ahead, as the situation is constantly evolving.

However, the directors are taking comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future. These steps are outlined in the Strategic report. Overall, the company has always previously traded profitably and it is the expectation of the directors that normal operations will be able to resume quickly once the restrictions in relation to COVID-19 are lifted.

At the year end, the company owed LODJ Limited, its intermediate parent company, £116,000,000 under the terms of a new two year bond issued on 1st October 2019. The new bond carries a discount of 3.5% and is repayable on 30th September 2021.

The directors have prepared budgets which include the ramp up of trade over the coming months, albeit to a lower level than previously achieved. These forecasts, however, include a significant level of judgement specifically around occupancy levels and achievable rates. In a downside scenario of reasonably possible outcomes, the objective of a return to profitability in early 2021 may not be met which could result in the Company seeking additional funding from alternative sources.

The Company is fortunate to benefit from the strong support of its shareholders. Therefore, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

It is, however, difficult to estimate how the COVID-19 outbreak will impact the Company's trading and for how long, and the Directors consider this as the key uncertainty over which they have no control. In the event that the hotel trading levels take longer to pick up than the forecast scenarios, then the company would need to obtain additional financial support. As a result of the adverse trading outlook a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Happily, notwithstanding the material uncertainty inherent in trading in the current climate, the company is not heavily geared and the Directors believe that additional finance will be forthcoming, if required.

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

The Lancaster Landmark Hotel Company Limited
Directors' Report
For the year ended 31 October 2019

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.

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.

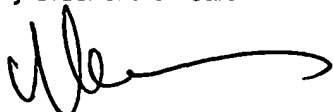
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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

**The Lancaster Landmark Hotel Company Limited
Independent Auditor's Report
For the year ended 31 October 2019**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF THE LANCASTER LANDMARK HOTEL COMPANY LIMITED

Opinion

We have audited the financial statements of The Lancaster Landmark Hotel Company Limited ("the Company") for the year ended 31 October 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2(b) in the financial statements which describes the Directors' assessment on how the ability of the Company to continue as a going concern is affected by the COVID 19 pandemic, and how it could lead to the risk that further funding is required within the next twelve months. As stated in note 2(b), these events or conditions, along with the other matters as set forth in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report has been prepared in accordance with applicable legal requirements.

**The Lancaster Landmark Hotel Company Limited
Independent Auditor's Report (Continued)
For the year ended 31 October 2019**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

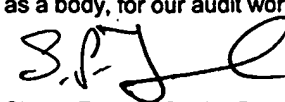
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.


Simon Fowles, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London, W1U 7EU

Date 30 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Lancaster Landmark Hotel Company Limited
Statement of Comprehensive Income
For the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
Turnover	2(e)	38,355	29,650
Cost of sales		<u>(3,008)</u>	<u>(2,524)</u>
Gross profit		35,347	27,126
Administrative expenses		<u>(31,948)</u>	<u>(27,642)</u>
Operating profit/(loss)	3	3,399	(516)
Interest receivable and similar income	5	57	54
Interest payable and similar charges	6	<u>(4,541)</u>	<u>(4,070)</u>
Loss on ordinary activities before taxation		(1,085)	(4,532)
Taxation on loss on ordinary Activities	7	<u>1,207</u>	<u>(640)</u>
Profit/(Loss) for the year		<u>122</u>	<u>(5,172)</u>
Other comprehensive income			
Actuarial loss on defined benefit pension scheme		(108)	(33)
Deferred tax on actuarial loss		<u>21</u>	<u>6</u>
Total other comprehensive loss		<u>(87)</u>	<u>(27)</u>
Total comprehensive surplus/(deficit)		<u>35</u>	<u>(5,199)</u>

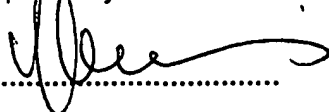
The results for the year arose from continuing activities.

The notes on pages 12 to 24 form an integral part of these financial statements.

The Lancaster Landmark Hotel Company Limited
Statement of Financial position
At 31 October 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	8	<u>139,642</u>	<u>142,593</u>
Current assets			
Stocks	9	82	87
Debtors:			
Amounts falling due after more than one year	10	108	108
Amounts falling due within one year	10	101,896	101,632
Cash at bank and in hand		<u>13,465</u>	<u>12,675</u>
		115,551	114,502
Creditors: Amounts falling due within one year	11	<u>(11,317)</u>	<u>(129,288)</u>
Net current assets / (liabilities)		<u>104,234</u>	<u>(14,786)</u>
Total assets less current liabilities		243,876	127,807
Provision for liabilities	13	(4,090)	(4,434)
Creditors: Amounts falling due after more than one year	11	<u>(116,000)</u>	<u>-</u>
Net assets excluding pension deficit		123,786	123,373
Pension deficit	15	<u>(494)</u>	<u>(116)</u>
Net assets		<u>123,292</u>	<u>123,257</u>
Capital and reserves			
Share capital	14	1,000	1,000
Retained earnings		113,292	113,257
Capital redemption reserve		<u>9,000</u>	<u>9,000</u>
Shareholder's funds		<u>123,292</u>	<u>123,257</u>

Approved by the Board and authorised for issue on 30 September 2020



M. Gemei
Director

Company Number 02832349

The notes on pages 12 to 24 form an integral part of these financial statements.

The Lancaster Landmark Hotel Company Limited
Statement of Changes in Equity
For the year ended 31 October 2019

	Share capital	Retained earnings	Capital redemption reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 November 2017	1,000	118,455	9,000	128,455
Comprehensive income for the year				
Loss for the year	-	(5,172)	-	(5,172)
Actuarial loss on pension scheme	-	(33)	-	(33)
Taxation in respect of other comprehensive income	-	6	-	6
Other comprehensive loss for the year	-	(27)	-	(27)
Total comprehensive loss for the year	-	(5,199)	-	(5,199)
Balance at 31 October 2018	1,000	113,257	9,000	123,257
Comprehensive income for the year				
Profit the year	-	122	-	122
Actuarial loss on pension scheme	-	(108)	-	(108)
Taxation in respect of other comprehensive income	-	21	-	21
Other comprehensive income for the year	-	(87)	-	(87)
Total comprehensive income for the year	-	35	-	35
Balance at 31 October 2019	1,000	113,292	9,000	123,292

The notes on pages 12 to 24 form an integral part of these financial statements.

The Lancaster Landmark Hotel Company Limited
Cash Flow Statement
For the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Cash generated from operations	17	8,483	12,439
Corporation tax received		-	1,308
Interest paid		<u>(4,541)</u>	<u>(4,070)</u>
Net cash generated from operating activities		<u>3,942</u>	<u>9,677</u>
Cash flow from investing activities			
Purchases of property, plant and equipment	8	(3,295)	(10,470)
Proceeds from the sale of property, plant and equipment		174	-
Interest received		57	54
Pension return		<u>(88)</u>	<u>(27)</u>
Net cash used in investing activities		<u>(3,152)</u>	<u>(10,443)</u>
Cash flow from financing activities			
Decrease in borrowings		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		790	(766)
Cash and cash equivalents at the beginning of the year		<u>12,675</u>	<u>13,441</u>
Cash and cash equivalents at the end of the year		<u>13,465</u>	<u>12,675</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

1. General and background information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the company's transactions are denominated, and comprise the financial statements of the company for the year ended 31 October 2019 and presented to the nearest thousand pounds.

The continuing activities of The Lancaster Landmark Hotel Company Limited are the operation of a hotel.

The Company is a United Kingdom company limited by shares. It is both incorporated and domiciled in England and Wales. The address of its registered office is Lancaster Terrace, London, W2 2TY.

2. Principal Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2(m)).

(b) Going concern

At the year end, the company owed LODJ Limited, its intermediate parent company, £116,000,000 under the terms of a new two year bond issued on 1st October 2019. The new bond carries a discount of 3.5% and is repayable on 30th September 2021. The Company has also received an undertaking from LODJ Limited that, for a period of at least 12 months from the date of approval of these financial statements, no amounts owed by the Company will be called for repayment unless the (i) Company is in a position to make payments without adversely affecting its ability to continue to trade and settle and future obligations and (ii) it is in compliance with the terms of the bond agreement.

At year end, a fellow subsidiary, Landmark Hotel London Limited (LHLL) owed the Company £94,785,506 (2018: £94,785,506). The loan is repayable within 12 months of written notice to repay and is interest free.

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotel after the year end, as it has all UK hotels. It is too early to know the precise impact this will have on trading for the year ended 2020 and the years ahead, as the situation is constantly evolving and is largely dependent on restrictions set out by the UK Government.

However, the directors are taking comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future. These steps are outlined in the Strategic report. Overall, the company has always previously traded profitably and it is the expectation of the directors that normal operations will be able to resume quickly once the restrictions in relation to COVID-19 are lifted.

The directors have prepared budgets up to October 2021 which include the ramp up of trade over the coming months, albeit to a lower level than previously achieved. These forecasts, however, include a significant level of judgement specifically around occupancy levels and achievable rates. In a downside scenario of reasonably possible outcomes, the objective of a return to profitability in early 2021 may not be met which could result in the Company seeking additional funding from alternative sources. It is, however, difficult to estimate how the COVID-19 outbreak will impact the Company's trading and for how long, and the Directors consider this as the key uncertainty over which they have no control.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

2. Principal Accounting Policies (cont'd)

(b) Going concern (cont'd)

In the event that the hotel trading levels take longer to pick up than the forecast scenarios, then the company would need to obtain additional financial support. Further, the Company has given an undertaking to LHLL, not to recall in a £94.7m debtor for at least 12 months following the issue of a notice to recall the balance. This notice is not expected to be given prior to the renegotiation of external funding arrangements within LHLL, which is currently due for repayment on 31 March 2021. As such, the company may need to request further funding in order to meet its working capital requirements.

The Company is fortunate to benefit from the strong financial support from its intermediate parent entity and the Directors are confident, as demonstrated in the past and also recently through a letter of support, that the Company will continue to receive this required financial support during the foreseeable future. Therefore, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements and as such have prepared the financial statements on a going concern basis.

However, a significant amount of external debt which is being held within LHLL is repayable on 31 March 2021 and no renewal of this loan has been guaranteed at the time of approval of the financial statements. As such, there is a risk that, due to the intermediate parent having to fund the external debt of LHLL, it may not be able to provide the required financial support for the foreseeable future.

Therefore, as a result of the adverse trading outlook for the Company due to the COVID-19 outbreak, there is a risk that further funding may be required, which the intermediate parent may not be able to provide and therefore a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

Happily, notwithstanding the material uncertainty inherent in trading in the current climate, the company is not heavily geared given the value of the hotel and the Directors believe that additional finance will be forthcoming, if required.

The financial statements do not include adjustments that would result if the Company were unable to continue as a going concern.

(c) Tangible fixed assets

Tangible fixed assets are initially recorded at cost and then depreciated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

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 will only perform an impairment review if they suspect an impairment would exist.

All items costing less than £1,000 are written off to the Statement of Comprehensive Income 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.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

2. Principal Accounting Policies (cont'd)

(d) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

(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) Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The deferred tax relating to the defined benefit pension liability is offset against that liability and not included with other deferred tax assets or liabilities.

(g) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(h) 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 to the Statement of Comprehensive Income in the year to which they relate.

The company recognises a defined net benefit pension asset or liability in the Statement of Financial Position as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

2. Principal Accounting Policies (cont'd)

(h) Pension costs (continued)

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss. Actuarial gains and losses are included in the Statement of Comprehensive Income.

(i) Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, debt instruments classified as basic are measured at amortised cost using the effective interest rate method. All of the company's financial instruments are classified as 'basic' in accordance with chapter 11 of FRS 102.

(j) Financial risk management

The main financial risks arising from the company's activities are credit, interest rate, price and liquidity risks. These are monitored by the board of directors and were not considered to be significant at the reporting date.

(k) Foreign currency translation

The company's functional and presentational currency is GBP.

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the Statement of Comprehensive Income.

(l) Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

2. Principal Accounting Policies (cont'd)

(m) Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts reported. Use of available information and application of judgement are inherent in the information of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pension assumptions

Reliance has been placed on the figures provided by the Scheme Actuary in determining the pension scheme assets and liabilities. In the current year, this would include an accrual for GMP equalisation.

Depreciation

Depreciation has been calculated on the fixed assets other than the long leasehold property. The residual value and life of the asset have been estimated by the directors.

Bad debt provision

Directors have estimated the bad debt provision by reviewing the sales ledger for debts greater than 90 days and assessing their recoverability.

Accruals

Directors review the expected expenses based on their knowledge of the business and provide for these accordingly.

Claims

There are no claims against the company such that could have a material impact on the financial statements for the year ended 31 October 2019.

3. Operating Profit/(Loss)

	2019	2018
	£'000	£'000
Operating profit/(loss) is stated after charging:		
Depreciation	6,072	6,232
Auditors' remuneration - audit	43	19
- non audit (taxation and others)	27	23
Loss on disposal of fixed assets	174	-
Expenditure on repairs and maintenance	1,421	1,187
Operating lease rentals	950	950
	<hr/>	<hr/>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

4. Directors and Employees

The directors did not receive any emoluments during the year (2018: £nil). There are no persons other than the directors considered to be key management.

Staff costs during the year were as follows:

	2019 £'000	2018 £'000
Wages and salaries	11,678	9,529
Social security costs & related	835	648
Pension costs	232	186
	<u>12,745</u>	<u>10,363</u>

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

	2019 No.	2018 No.
Rooms	120	109
Catering	191	191
Sales	22	21
Administration	36	37
Service	17	12
	<u>386</u>	<u>370</u>

5. Interest Receivable and Similar Income

	2019 £'000	2018 £'000
Bank interest	57	54
	<u>57</u>	<u>54</u>

6. Interest Payable and Similar Charges

	2019 £'000	2018 £'000
Discount on inter-company bond	4,541	4,070
	<u>4,541</u>	<u>4,070</u>

7. Taxation on Loss on Ordinary Activities

	2019 £'000	2018 £'000
Corporation tax credit on the loss for the year	(802)	(747)
Adjustment in respect of prior years	7	-
	<u>(795)</u>	<u>(747)</u>

	2019 £'000	2018 £'000
Deferred taxation (note 13)		
Current year	(510)	196
- adjustment in respect of previous year	166	1,199
- pension scheme deficit	(68)	(8)
	<u>(412)</u>	<u>1,387</u>
Total	<u>(1,207)</u>	<u>640</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

7. Taxation on Loss on Ordinary Activities

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

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(1,085)	(4,532)
Tax on loss on ordinary activities at 19.0% (2018: 19.0%)	(206)	(861)
<i>Factors affecting the charge for the year:</i>		
Disallowable expenditure	534	532
Transfer pricing adjustment	802	747
Reversal of transfer pricing adjustment	(802)	(747)
Other timing differences	(887)	9
Short term timing differences	(250)	104
Losses unutilised in current year	(405)	(343)
Prior year adjustment	7	1,199
Tax on loss on ordinary activities	(1,207)	640

8. Tangible Fixed Assets

	Long Leasehold Land & Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost				
At 1 November 2018	78,470	37,259	66,574	182,303
Additions	1,360	103	1,832	3,295
Disposals	-	(6,767)	(8,343)	(15,110)
At 31 October 2019	79,830	30,595	60,063	170,488
Depreciation				
At 1 November 2018	-	19,065	20,645	39,710
Charge for the year	-	1,707	4,365	6,072
Disposals	-	(6,622)	(8,314)	(14,936)
At 31 October 2019	-	14,150	16,696	30,846
Net book value				
At 31 October 2019	79,830	16,445	43,367	139,642
At 31 October 2018	78,470	18,194	45,929	142,593

9. Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	82	87

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

10. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Gross trade debtors	1,111	1,485
Allowance for estimated irrecoverable trade debtors	(25)	(27)
Net trade debtors	1,086	1,458
Amount due from fellow subsidiary undertakings (note 19)	100,262	99,493
Other debtors	30	43
Prepayments and accrued income	518	638
	<u>101,896</u>	<u>101,632</u>
Amounts falling due after more than one year:		
Other debtors	108	108
	<u>108</u>	<u>108</u>

Included in amounts due from a fellow subsidiary undertaking is £94.7m (2018: £94.7m) relating 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.

11. Creditors: Amounts Falling Due Within One Year

	2019	2018
	£'000	£'000
Trade creditors	2,622	2,963
Amounts due to fellow subsidiary undertakings (note 19)	87	76
Amounts due to intermediate parent undertakings (note 19)	793	117,070
Other creditors	17	8
Other taxation and social security costs	2,088	1,730
Accruals and deferred income	2,375	5,028
Payments on account	3,335	2,413
	<u>11,317</u>	<u>129,288</u>
Amounts falling due after more than one year:		
Amounts due to intermediate parent undertakings (note 19)	<u>116,000</u>	<u>-</u>

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

12. Financial instruments

	2019 £'000	2018 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	114,952	114,108
	<u>114,952</u>	<u>114,108</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(125,229)	(127,900)
	<u>(125,229)</u>	<u>(127,900)</u>

Financial assets measured at amortised cost comprise trade, cash and cash equivalents and other debtors.

Financial liabilities measured at amortised cost comprise trade, bank loans, accruals and other payables.

13. Provision for Liabilities

	2019 £'000	2018 £'000
Deferred tax		
At 1 November 2018	4,434	3,038
Movement in the year (note 7)	<u>(344)</u>	<u>1,396</u>
At 31 October 2019	<u>4,090</u>	<u>4,434</u>
The deferred tax liability consists of:		
Accelerated capital allowances	<u>4,090</u>	<u>4,434</u>
	<u>4,090</u>	<u>4,434</u>

14. Share Capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid 1,000 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 2019

15. 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 31 October 2019.

The contributions made by the employer over the financial year were £233,960 (2018: £186,555). There are two groups of members:

- i. Defined contribution members. Contributions 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 up to July 2018 and 26.5% from August 2018.

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 2019 %p.a.	31 October 2018 %p.a.	31 October 2017 %p.a.
Inflation (RPI)	2.96%	3.11%	3.21%
Rate of increase in salaries	2.06%	2.21%	2.36%
LPI pension in payment increases			
Discount rate	1.57%	2.56%	2.73%
Allowance for commutation of pension for cost at retirement	Nil	Nil	Nil

The mortality assumptions adopted at 31 October 2019 are based on S2PA with allowance for future mortality improvements using CMI 2016 with a long term rate of improvement of 1.5% p.a. for males and females

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

15. Pensions (Continued)

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

	Long term rate of return expected at 31 October 2019 %p.a.	Value at 31 October 2019 £'000	Long term rate of return expected at 31 October 2018 %p.a.	Value at 31 October 2018 £'000	Long term rate of return expected at 31 October 2017 %p.a.	Value at 31 October 2017 £'000
Equities	69.4%	11,397	69.7%	10,336	70.1%	10,207
Fixed interest bonds	30.2%	4,954	30.0%	4,463	29.9%	4,346
Cash	0.4%	76	0.3%	24	0.4%	5
Inclusion of Insured Annuitants		32		770		973
Total market value of assets		18,201		16,566		15,531
Present value of scheme liabilities		(18,810)		(16,709)		(15,592)
Deficit in the scheme		(609)		(143)		(61)
Related deferred tax asset		115		27		11
Net pension liability		(494)		(116)		(50)

Movement in surplus during the year

	2019 £'000	2018 £'000
Deficit in scheme at beginning of the year	(143)	(61)
Movement in year:		
Current service cost	(116)	(125)
Net Interest cost	(3)	(2)
Contributions	130	79
Allowance for GMP equalisation	(369)	-
Actuarial loss	(108)	(34)
Deficit in scheme at end of the year	(609)	(143)

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

15. Pensions (Continued)

Analysis of the amount charged to operating profit

	2019	2018
	£'000	£'000
Current service cost	116	125
Interest on net defined benefit obligation	3	2
Allowance for GMP equalisation	369	-
Total operating charge	488	127

Analysis of the amounts recognised in other comprehensive income

	2019	2018
	£'000	£'000
Actuarial gain on pension scheme assets	1,261	135
Experience loss arising on scheme liabilities	(181)	(58)
Actuarial loss from change in assumptions	(1,188)	(111)
Actuarial loss recognised in other comprehensive income	(108)	(34)

16. Operating Lease Commitments

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

	Building Lease		Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Operating leases which expires:				
Within 1 year	950	950	-	-
Within 2-5 years	3,800	3,800	-	-
Greater than 5 years	59,850	60,800	-	-

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

	2019	2018
	£'000	£'000
Operating profit/(loss)	3,399	(516)
Depreciation	6,072	6,232
Decrease/(increase) in stock	5	(8)
(Increase)/decrease in debtors	(264)	1,561
(Decrease)/increase in creditors	(270)	4,348
Decrease in provisions	1,241	822
Net cash inflow	8,483	12,439

The Lancaster Landmark Hotel Company Limited
Notes to the Financial Statements
For the year ended 31 October 2019

18. 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.

19. Related Party Transactions

The directors have taken advantage of the exemption provided by section 33 of FRS 102 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 2019 the company owed £793,054 (2018: £219,932) to Landmark Overseas Development Company Limited. During the year management fees of £1,383,508 (2018: £993,514) were incurred.

At 31 October 2019 the company had the following balances due (to)/from fellow subsidiary companies:

	<u>2019</u>	<u>2018</u>
Landmark Hotel London Limited:	£5,453,859	£4,665,540
K West Hotel London Limited:	£22,673	£42,228
Basil Street Apartments London Limited:	(£87,730)	(£76,434)

Following the disposal of certain hotel interests to fellow subsidiary companies in a prior year the company was also owed £94,785,506 (2018: £94,785,506) by Landmark Hotel London Limited at 31 October 2019. The loan is repayable within 12 months of written notice to repay and is interest free.

On 1 October 2019, a new bond of £116,000,000 was issued which is repayable on 30 September 2021. The balance of £850,000 owing from the previous bond was repaid. Accruals include £343,880 (2018: £3,058,987) in respect of the 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 for at least 12 months from the date of signature of these accounts.

20. Post Balance Sheet Events

With the UK COVID-19 outbreak as noted in the Strategic report and the going concern accounting policy note, the hotel has taken steps to preserve the cash position of the company and has been assisted in this by measures introduced by the Government including a rates holiday, job retention system and the deferment of VAT payment to March 2021.

The directors consider that the impact of Covid-19 is a non-adjusting post balance sheet event.