Company No: 02832349

# THE LANCASTER LANDMARK HOTEL COMPANY LIMITED

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2021

**The Lancaster Landmark Hotel Company Limited**
**COMPANY INFORMATION**
**For the year ended 31 October 2021**

**Directors**

T. Sihanatkathakul
T. Sihanatkathakul
M. Gemel
B. Hladnik
P. Stockton

**Secretary and Registered Office**

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

**Auditors**

Moore Kingston Smith LLP
6th Floor
9 Appold Street
London
EC2A 2AP

**The Lancaster Landmark Hotel Company Limited**
**STRATEGIC REPORT**
**For the year ended 31 October 2021**

**Business Review**

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

Having only reopened in the middle of August 2020 the luxury leisure market was almost the sole market for London hotels for the year, with a small amount of corporate travel. The international travel, group and events business was non-existent, and all major events had been cancelled. It was not until March 2021 that some improvement was seen in the market, but this was tentative at best. Occupancy was low to start with but gradually picked up as the year went on and ended at 19% taking the year to 31 October 2021 as a whole. Average rate per occupied room at over £200 held up well as the hotel decided not to discount.

Towards the end of the year there were nascent signs of a durable recovery as occupancy rose to over 45% but the advent of the Omicron variant of Covid-19 took the shine off the run up to Christmas. Subsequently the hotel has seen a further improvement in fortunes as confidence has returned to the market and there is a return to profitability in 2022 having made up a large amount, but not all, of the ground lost during the pandemic.

The total revenue for the year of £10.9m was £4.2m below the previous year's £15.1m and a long way short of the £38.3m recorded for 2019 prior to the Covid pandemic.

In the year to 31 October 2021 £1.7m (2020: £2.9m) was received from the UK government under the Coronavirus Job Retention Scheme.

The operating loss for the year of £4.2m compares with a loss of £6.6m for 2020. After interest and taxation, loss for the year was £11.1m compared with £9.0m for 2020.

The Statement of Financial Position at 31 October 2021 showed a decrease in net assets, from £114.3m to £103.1m, although cash increased from £7.1m to £12m over the course of the year largely due to a repayment of £5.5m of a loan of £100.5m due from a fellow subsidiary. At the end of the year the company retained sufficient cash reserves and liquidity to tide it over to a return to positive cash flow, achieved in mid-2022.

**Business Environment**
While the world begins to recover from the pandemic, three other significant events have occurred (i) the war in Ukraine, (ii) Impact of Brexit and (iii) world-wide inflationary pressure resulting in the downturn in many economies.

The impact of the war in Ukraine is currently not thought to have an immediate effect on the hotel, although the Directors will continue to monitor and assess the situation and the wider impact on inflation and the company's costs With Brexit a major issue, causing a reduction in the availability of EU workers, and the events in Ukraine having a negative effect on hospitality generally the trading environment is uncertain. However, the falling value of sterling has made the UK more competitive for overseas visitors and travel restrictions have encouraged domestic tourism.

Set against this, low UK unemployment rates 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 above the rate of inflation. A lack of optimism on the macroeconomic front will continue to affect revenues and profitability through to 2023, although recent capital investment and strength of the management team should see the hotel continue to gain ground on its competitors.

**Outlook**

As noted, above and excepting a subdued Christmas period because of worries over the Omicron variant, the first 9 months of the current year saw a good improvement. 60% occupancy for the 2022 financial year was achieved, accompanied by increased average room rates saw gross revenue for the year slightly exceed pre-Coronavirus 2019. Strong cost control resulted in net profits of close to £2.2m. Thereafter, the company is expected to increase net profits further in 2023.

**Key Performance Indicators**

The average rate per occupied room increased from £120 to £220 for 2021, reflecting the reduced impact of Covid-19, whilst occupancy was 19%.

Gross Operating Profit per available room night (GOPPAR) was £10 (2020: £9) which represented an increase of 11% year on year.

**Principal risks and uncertainties**

*Economic Activity*

The UK was in the largest recession on record. The OECD has estimated that the UK economy shrank 6% in 2020 and although it recovered sharply in 2021 it has still not made-up lost ground. Unfortunately, as noted, the hospitality sector has been one of the worst hit. As new Covid variants have emerged growth was restrained but confidence is returning to the sector only gradually. Previous pandemics have shown that a return to 'normal trading' can take up to 3 years. As such there was still some uncertainty over the trading outlook in 2022 although the company is now performing well compared to the sector as a whole.

*Competition*

New hotel building in London reduced in 2021 as sector balance sheets were hit hard. However, 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 London. We expect that some forecast additional supply will not materialise as investors reappraise the profitability of the sector as a whole and either delay or cancel plans to invest. The hotel product is of high quality, which we anticipate will allow the hotel to perform better on average than its peer group.

*Credit risk*

The management of credit risk is achieved by monitoring the group's ageing receivables on a regular basis. Risk is spread over a large number of customers. Receivable balances are monitored on an ongoing basis and a provision is made for doubtful debts where appropriate.

*Liquidity risk*

The liquidity of the group is monitored against cashflow forecasts that are regularly revised, sensitised and reviewed for risk. The company has sufficient resources and access to funds to mitigate this risk.

*Foreign exchange risk*

The company has minimal foreign trading risk as many sales and purchases are made within the UK. The risk is assessed on a periodic basis. The group does not use derivative financial instruments to manage currency exposure as this is not needed.

**Post Balance Sheet Events including Covid-19**

There were no events subsequent to the balance sheet date that required adjustment to or disclosure in the financial statements.

By Order of the Board on 3 March 2023

P. Stockton
Director

**The Lancaster Landmark Hotel Company Limited**
**DIRECTORS' REPORT**
**For the year ended 31 October 2021**

The directors present their report and the audited financial statements for the year ended 31 October 2021. The company is registered in England and Wales under registration no. 02832349.

**Directors**

The directors who held office in the year and to the date of approval of these financial statements were as follows: -

T. Sihanatkathakul
T. Sihanatkathakul
M. Gemei
B. Hladnik
P. Stockton

**Employment of Disabled Persons and Employee Involvement**

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.

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 had a significant impact on the operations of the hotel during the 2020 and into 2021.. Accordingly, the directors took, and continue to take, comprehensive steps to ensure that the business can continue in operation for the foreseeable future. These steps have included a review of, and reduction in, costs at all levels of the business and the conservation of cash resources generally. At the end of the year the cash resources of the company stood at over £12m. With positive EBITDA achieved for 2022 the directors believe that liquidity is sufficient to enable the company to trade until the end of 2023 and beyond without requiring further finance. The company has always previously traded profitably, and operations have returned to normal by the end of 2022. Work on the company's cost base during the pandemic have allowed a return to profitability at a lower level of occupancy and Revenue per available room (REVPAR) than was previously the case, although inflationary pressure will have a dampening effect as we head into 2023.

During the year the company extended the term of a £116m bond issued to LODJ Limited, its intermediate parent company, until 31 October 2023 at a discount equivalent to a rate of 3%. Following the year end a part repayment of £28m was made and the balance of the discount bond was rolled over until 31 October 2024 at an equivalent rate of 4.5%. This provides the company with further breathing space in what is generally a period of great uncertainty.

At the year end, the company was owed £95m (2020: £100.5m) by its fellow subsidiary Landmark Hotel London Limited, principally in respect of the previous sale of certain assets to that company. The loan is interest free and repayable 12 months after written notice to repay has been provided. No such notice has been given at the date of approval of these financial statements and further confirmation has been provided that a notice to repay will not be given unless the company is in a position to repay the loan. Realistically, it cannot be repaid unless that company was to sell its property, which it has no plans to do currently.

The company has received written confirmation from an intermediate parent company, LODJ Limited, that LODJ Limited will provide sufficient financial support to enable the company to meet its ongoing liabilities as they fall due for at least 12 months from the date of signing these financial statements.

The Directors are confident that the company 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, which have been prepared on a going concern basis.

**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**
**For the year ended 31 October 2021**

**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 on 3 March 2023

P. Stockton
Director

**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 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including 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 2021 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information, contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 have been prepared in accordance with applicable legal requirements.

**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 Statement of Directors' Responsibilities, 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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks' and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Explanation as to what extent that audit was considered capable of detecting irregularities, including fraud**
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions. reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

**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.

Moore Kingston Smith LLP

Matthew Banton (Senior Statutory Auditor)
For and on behalf of Moore Kingston Smith LLP
Chartered Accountants
Statutory Auditor
6th Floor
9 Appold Street
London
EC2A 2AP

3 March 2023

**The Lancaster Landmark Hotel Company Limited**
**STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 October 2021**

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Turnover** | 1(e) | 10,924 | 15,113 |
| Cost of sales | | (787) | (1,298) |
| **Gross profit** | | 10,137 | 13,815 |
| Administrative expenses | | (17,730) | (23,274) |
| Other operating income | 4 | 3,427 | 2,875 |
| **Operating loss** | 2 | (4,166) | (6,584) |
| Interest receivable and similar income | 5 | 27 | 35 |
| Interest payable and similar charges | 6 | (4,223) | (4,083) |
| **Loss on ordinary activities before taxation** | | (8,362) | (10,632) |
| Taxation on loss on ordinary activities | 7 | (5,617) | 1,652 |
| **Loss for the year** | | (13,979) | (8,980) |
| ***Other comprehensive income*** | | | |
| Actuarial gain / (loss) on defined benefit pension scheme | 16 | 3,504 | (39) |
| Deferred tax on actuarial gain / (loss) | | (666) | 8 |
| **Total other comprehensive loss** | | 2,838 | (31) |
| **Total comprehensive loss** | | (11,141) | (9,011) |

The results for the year arose from continuing activities.

The notes on pages 13 to 23 form an integral part of these financial statements.

**The Lancaster Landmark Hotel Company Limited**
**STATEMENT OF FINANCIAL POSITION**
**At 31 October 2021**

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 129,928 | 134,590 |
| **Current assets** | | | |
| Stocks | 9 | 124 | 84 |
| Debtors: Amounts falling due after one year | 10 | 95,108 | 100,608 |
| Debtors: Amounts falling due within one year | 10 | 2,844 | 855 |
| Cash at bank and in hand | | 12,009 | 7,098 |
| | | 110,085 | 108,645 |
| **Creditors: Amounts falling due within one year** | 11 | (16,825) | (9,981) |
| **Net current assets** | | 93,260 | 98,664 |
| **Total assets less current liabilities** | | 223,188 | 233,254 |
| **Provision for liabilities** | 14 | (7,732) | (2,438) |
| **Creditors: Amounts falling due after one year** | 12 | (116,000) | (116,000) |
| **Net assets excluding pension asset / (deficit)** | | 99,456 | 114,816 |
| Pension asset / (deficit) | 16 | 3,684 | (535) |
| **Net assets** | | 103,140 | 114,281 |
| **Capital and reserves** | | | |
| Share capital | 15 | 1,000 | 1,000 |
| Profit and loss account | | 93,140 | 104,281 |
| Capital redemption reserve | | 9,000 | 9,000 |
| **Shareholder's funds** | | 103,140 | 114,281 |

Approved by the Board and authorised for issue on 3 March 2023

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P. Stockton
Director

***Company Number 02832349***

The notes on pages 13 to 23 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 2021**

| | Share capital £'000 | Profit and loss account £'000 | Capital redemption reserve £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance at 1 November 2019** | 1,000 | 113,292 | 9,000 | 123,292 |
| **Comprehensive income for the year:** | | | | |
| **Loss for the year** | - | (8,980) | - | (8,980) |
| Actuarial loss on pension scheme | - | (39) | - | (39) |
| Taxation on other comprehensive income | - | 8 | - | 8 |
| **Other comprehensive loss for the year** | - | (31) | - | (31) |
| **Total comprehensive loss for the year** | - | (9,011) | - | (9,011) |
| **Balance at 31 October 2020** | 1,000 | 104,281 | 9,000 | 114,281 |
| **Comprehensive income for the year:** | | | | |
| **Loss for the year** | - | (13,979) | - | (13,979) |
| Actuarial gain on pension scheme | - | 3,504 | - | 3,504 |
| Taxation on other comprehensive income | - | (666) | - | (666) |
| **Other comprehensive gain for the year** | - | 2,838 | - | 2,838 |
| **Total comprehensive loss for the year** | - | (11,141) | - | (11,141) |
| **Balance at 31 October 2021** | 1,000 | 93,140 | 9,000 | 103,140 |

The notes on pages 13 to 23 form an integral part of these financial statements.

**The Lancaster Landmark Hotel Company Limited**
**STATEMENT OF CASH FLOWS**
**For the year ended 31 October 2021**

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from / (absorbed by) operations | 18 | 6,407 | (1,489) |
| **Adjustments for:** | | | |
| Pension scheme settlement | 16 | (1,707) | - |
| Interest paid | | (4,219) | (4,073) |
| **Net cash inflow / (outflow) from operating activities** | | 481 | (5,562) |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment | 8 | (1,101) | (579) |
| Proceeds from the sale of tangible fixed assets | | 4 | - |
| Interest received | | 27 | 35 |
| Repayment of loan to fellow subsidiary undertakings | | 5,500 | - |
| **Net cash from / (used in) investing activities** | | 4,430 | (544) |
| **Cash flow from financing activities** | | | |
| *Decrease in borrowings* | | - | (261) |
| **Net cash inflow from / (used in) financing activities** | | - | (261) |
| **Net increase / (decrease) in cash and cash equivalents** | 22 | 4,911 | (6,367) |
| Cash and cash equivalents at the beginning of the year | | 7,098 | 13,465 |
| **Cash and cash equivalents at the end of the year** | 22 | 12,009 | 7,098 |

The notes on pages 13 to 23 form an integral part of these financial statements.

**General 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 2021 presented to the nearest thousand pounds. The continuing activity of the company is the operation of a 411-room four-star luxury hotel located in Lancaster Gate, London.

The company is a company limited by shares which is incorporated and domiciled in England and Wales. The address of its registered office is Royal Lancaster London, Lancaster Terrace, London, W2 2TY which is also the principal place of business.

**1. 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. 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 1(m)).

(b) Going concern

The company's financial statements have been prepared on a going concern basis.

The COVID-19 outbreak had a significant impact on the operations of the hotel in both 2020 and 2021, as it has on all quality hotels in central London. Nonetheless there were strong signs of a recovery in 2022 as confidence has returned to the central London hotel market and occupancy levels have increased markedly. This is however the impact of the current cost of living crisis, fuel pressures and uncertainty in the financial markets due the backlash from the governments "mini budget". When considering the impact of these events on the business, the directors have taken comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future. These steps have included a review of, and reduction in, costs at all levels of the business and the conservation of cash resources generally. At the end of the year the cash resources of the company stood at over £12m which, together with positive cashflow seen in 2022 and continuing into 2023 as well as the written support confirmed by its intermediate parent, allows the company to trade confidently.

The directors have assessed, and stress tested the financing requirements of the company and consider that the resources available to the company both in terms of its own cash resources and resources available from its intermediate parent and other group companies are sufficient to trade for the foreseeable future without requiring additional finance. Overall, the company has always previously traded profitably, and it is the expectation of the directors that operations will return to normal by the end of 2022. Work on the company's cost base during the pandemic have allowed a return to profitability at a lower level of occupancy and RevPAR than was previously the case although inflationary pressure will have a dampening effect as the company heads into 2023.

At the year end, the company owed LODJ Limited, its intermediate parent company, £116m under the terms of a discounted bond which carries a discount of 3% and was repayable on 31 October 2023 subject to the terms of a bank loan to a fellow subsidiary, Landmark Hotel London Limited (LHLL). LHLL owed the company £95m which is repayable to the company with 12 months of written notice and is interest free. No such notice has been given at the date of approval of these financial statements and further written confirmation has been provided that a notice to repay will not be given unless the fellow subsidiary is able to repay the loan. The guarantor to the bank loan is LODJ Limited. Under the terms of the bank loan the guarantor cannot call in any loan balances due to it from any group company without the bank loan balance having been settled. The bank loan is not due for settlement until March 2024. Further, the £116m bond cannot realistically be repaid until the property owned by the fellow subsidiary is sold, which is not planned. Post year end a part repayment of £28m was made and the balance of the discount bond of £88m was rolled over until 31 October 2024 at an equivalent rate of 4.5%

(b) Going concern (continued)

The company has also received written confirmation from LODJ Limited, that LODJ Limited will provide sufficient financial support to enable the company to meet its ongoing liabilities as they fall due for at least 12 months from the date of signing these financial statements.

Based on the above assessment, the directors have an expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

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.

**1. Principal Accounting Policies (cont'd)**

(d) Stocks

Stocks are valued at the lower of cost and net realisable value after making 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) Taxation

The taxation charge or credit 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 profits or losses for the current and past periods. Current tax is measured at the amounts of tax the company is 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 reporting 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 reporting date.

The deferred tax relating to the defined benefit pension liability is offset against that asset / 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.

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.

**1. Principal Accounting Policies (cont'd)**

(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.

(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. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

*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.

**1. Principal Accounting Policies (cont'd)**

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

*Interest*
No interest has been charged on the long-term loan balance described in Note 10. Whilst the loan is due after more than one year there is no set repayment date and as such no interest has been imputed on the loan.

(n) Government grants (JRS)

Government Coronavirus Job Retention Scheme (JRS) grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company are recognised in the Income Statement in the period in which they become receivable.

**2. Operating Loss**

| The operating loss is stated after charging / (crediting): | | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| Depreciation | | 5,763 | 5,631 |
| Auditors' remuneration | - audit | 36 | 43 |
| | - non audit (taxation) | 31 | 21 |
| Gain on disposal of fixed assets | | (4) | - |
| Expenditure on repairs and maintenance | | 824 | 418 |
| Operating lease rentals | | 950 | 950 |

**3. Directors and Employees**

*The directors did not receive any emoluments during the year (2020: £nil). There are no persons other than the directors considered to be key management.*

Staff costs during the year were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and salaries | 6,420 | 9,583 |
| Social security costs & related | 503 | 748 |
| Pension costs | 154 | 249 |
| | 7,077 | 10,580 |

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

| | 2021 No. | 2020 No. |
|---|---|---|
| Rooms | 73 | 74 |
| Catering | 69 | 88 |
| Sales | 19 | 22 |
| Administration | 30 | 39 |
| Service | 18 | 23 |
| | 209 | 246 |

**4. Other operating income**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Other income (Government Coronavirus Job Retention Scheme (JRS) | 1,720 | 2,875 |
| Pension Settlement (note 16) | 1,707 | - |
| | 3,427 | 2,875 |

## 5. Interest Receivable and Similar Income

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Bank interest | 27 | 35 |

## 6. Interest Payable and Similar Charges

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Discount on inter-company bond | 4,215 | 4,074 |
| Interest on net defined benefit obligation | 8 | 9 |
| | 4,223 | 4,083 |

## 7. Taxation on Loss on Ordinary Activities

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Corporation tax on the result for the year | - | - |
| Adjustment in respect of prior years | - | - |
| | - | - |
| Deferred taxation (note 14) | | |
| Current year | 4,524 | (1,003) |
| Adjustment in respect of previous year | - | (649) |
| Effect of increased tax rate on opening balance | 770 | - |
| Pension scheme deferred tax on asset / deficit | 323 | - |
| | 5,617 | (1,652) |
| | 5,617 | (1,652) |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation | (8,362) | (10,632) |
| Tax on loss on ordinary activities at 19% (2020: 19%) | (1,589) | (2,020) |
| *Factors effecting the charge for the year:* | | |
| Disallowable expenditure | 2 | 464 |
| Capital allowances in excess of depreciation | 521 | (662) |
| Transfer pricing adjustment | 669 | 732 |
| Other timing differences | 323 | 2 |
| Income not taxable for tax purposes | (335) | - |
| Change in tax rate | 1,856 | 481 |
| Movement in deferred not recognised in prior year | 4,170 | - |
| Adjustment in respect of prior years | - | (649) |
| Tax on loss on ordinary activities | 5,617 | (1,652) |

A reassessment of carrying values within each asset pool and capital allowances has led to an increase in the charge in the period.

The Finance Act 2021 was enacted on 10 June 2021 which stated that the UK main corporate tax rate would remain at 19% from 1 April 2020 to 1 April 2023, when it will increase to 25%.

## 8. Tangible Fixed Assets

| | Long Leasehold Land & Buildings £'000 | Plant & Machinery £'000 | Fixtures, Fittings & Equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 November 2020 | 79,863 | 30,715 | 60,465 | 171,043 |
| Additions | 1,017 | 29 | 55 | 1,101 |
| Disposals | - | - | (10) | (10) |
| At 31 October 2021 | 80,880 | 30,744 | 60,510 | 172,134 |
| **Depreciation** | | | | |
| At 1 November 2020 | - | 15,894 | 20,559 | 36,453 |
| Charge for the year | - | 1,638 | 4,125 | 5,763 |
| Disposals | - | - | (10) | (10) |
| At 31 October 2021 | - | 17,532 | 24,674 | 42,206 |
| **Net book value** | | | | |
| At 31 October 2021 | 80,880 | 13,212 | 35,836 | 129,928 |
| At 31 October 2020 | 79,863 | 14,821 | 39,906 | 134,590 |

## 9. Stocks

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Raw materials and consumables | 124 | 84 |

## 10. Debtors

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Gross trade debtors | 561 | 39 |
| Allowance for estimated irrecoverable trade debtors | - | (25) |
| Net trade debtors | 561 | 14 |
| *Amount due from fellow subsidiary undertakings (note 19)* | 1,399 | 153 |
| Other debtors | 317 | 422 |
| Prepayments and accrued income | 567 | 266 |
| | 2,844 | 855 |
| Amounts falling due after one year: | | |
| Amount due from fellow subsidiary undertakings (note 19) | 95,000 | 100,500 |
| Other debtors | 108 | 108 |
| | 95,108 | 100,608 |

Included in amounts due from a fellow subsidiary undertaking is £95m (2020: £100.5m) principally relating to the purchase by that fellow subsidiary of a freehold property belonging to the company. This amount is repayable to the company within 12 months of written notice to repay and is interest free.

No such notice has been given at the date of approval of these financial statements and written confirmation has been provided that notice will not be given unless the fellow subsidiary is in a position to repay the loan. The loan is subordinate to a loan provided by a bank to the fellow subsidiary and cannot realistically be repaid until the property owned by the fellow subsidiary is sold, which is not planned.

## 11. Creditors: Amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade creditors | 1,773 | 1,329 |
| Amounts due to intermediate parent undertakings (note 19) | 1,856 | 581 |
| Other creditors | 332 | 45 |
| Other taxation and social security costs | 696 | 358 |
| Accruals and deferred income | 9,516 | 5,193 |
| Payments on account | 2,652 | 2,475 |
| | 16,825 | 9,981 |

## 12. Creditors: Amounts falling due after one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Amounts due to intermediate parent undertakings | 116,000 | 116,000 |

The amount due to intermediate parent undertakings represents a bond issued at a discount of the equivalent of 3% p.a. and is repayable on 31 October 2023. Following the year end a part repayment of £28m was made and the balance of the discount bond was rolled over until 31 October 2024 at an equivalent rate of 4.5%.

## 13. Financial Instruments

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Financial assets measured at amortised cost | 107,810 | 108,295 |
| Financial liabilities measured at amortised cost | 127,850 | 125,981 |

Financial assets measured at amortised cost comprise trade debtors, amounts due from fellow subsidiary undertakings, cash and cash equivalents and other debtors. Financial liabilities measured at amortised cost comprise trade creditors, amounts due to intermediate parent undertakings, accruals, bonds and other payables.

## 14. Provision for Liabilities

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Deferred tax | | |
| At 1 November 2020 | 2,438 | 4,090 |
| Movement in the year (note 7) | 5,294 | (1,652) |
| At 31 October 2021 | 7,732 | 2,438 |

The deferred tax liability consists of:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Fixed asset timing differences | 11,562 | 4,347 |
| Short-term timing differences | (2,163) | (840) |
| Losses and other deductions | (1,667) | (1,069) |
| | 7,732 | 2,438 |

The Finance Act 2021 was enacted on 10 June 2021 which stated that the UK main corporate tax rate would remain at 19% from 1 April 2020 to 1 April 2023, when it will increase to 25%.

## 15. Share Capital

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| 1,000,000 ordinary shares of £1 each | 1,000 | 1,000 |

All shares rank equally in respect of shareholders rights.

**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 actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 October 2021 for the purpose of the disclosures required under FRS102 section 28 Employee Benefits.

The contributions made by the employer over the financial year were £154,020 (2020: £249,618). 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, at 13.6% of Pensionable Salary up to July 2018 and now 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 2021 %p.a. | 31 October 2020 %p.a. | 31 October 2019 %p.a. |
|---|---|---|---|
| Inflation (RPI) | 3.74% | 3.16% | 2.96% |
| Rate of increase in salaries | 1.00% | 1.00% | 2.06% |
| LPI pension in payment increases | | | |
| Discount rate | 1.69% | 1.25% | 1.57% |
| Commutation of pension for cost at retirement | Nil | Nil | Nil |

The mortality assumptions adopted at 31 October 2021 are based on S3 base mortality tables adjusted for use for private sector pension scheme. The future improvements in mortality are assumed to be in line with CMI 2020 with a long term rate of improvement of 1.5% p.a. for males and females.

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

| | Long term rate of return expected at 31 October 2021 % p.a. | Value at 31 October 2021 £'000 | Long term rate of return expected at 31 October 2020 % p.a. | Value at 31 October 2020 £'000 | Long term rate of return expected at 31 October 2019 % p.a. | Value at 31 October 2019 £'000 |
|---|---|---|---|---|---|---|
| Equities | 66.12% | 12,093 | 68.4% | 12,663 | 69.4% | 12,609 |
| Fixed interest bonds | 33.56% | 6,138 | 31.6% | 5,839 | 30.2% | 5,487 |
| Cash | 0.32% | 57 | 0% | - | 0.4% | 73 |
| Inclusion of Insured Annuitants | | 1,607 | | 1,749 | | 32 |
| **Total market value of assets** | | 19,895 | | 20,251 | | 18,201 |
| Present value of scheme liabilities | | (15,347) | | (20,911) | | (18,810) |
| Surplus / (Deficit) in the scheme | | 4,548 | | (660) | | (609) |
| Related deferred tax asset | | (864) | | 125 | | 115 |
| **Net pension asset / (liability)** | | **3,684** | | **(535)** | | **(494)** |

**16. Pensions (Continued)**

**Movement in deficit during the year:**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Deficit in scheme at beginning of the year** | (660) | (609) |
| Movement in the year: | | |
| Current service cost | (49) | (139) |
| Net interest cost | (8) | (9) |
| Contributions | 54 | 136 |
| Effect of settlement | 1,707 | - |
| Loss on disposal | (4) | |
| Actuarial gain / (loss) | 3,504 | (39) |
| **Deficit in scheme at end of the year** | 4,544 | (660) |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Current service cost | 49 | 139 |
| Interest on net defined benefit obligation | 8 | 9 |
| Effect of settlement | (1,707) | - |
| Total operating charge | (1,650) | 148 |

**Analysis of the amounts recognised in other comprehensive income**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Actuarial gain on pension scheme assets | 3,591 | 2,038 |
| Experience loss arising on scheme liabilities | (136) | (1,332) |
| Actuarial loss from change in assumptions | 49 | (745) |
| Actuarial loss recognised in other comprehensive income | 3,504 | (39) |

**17. Operating Lease Commitments**

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

| | Building Lease | | Other | |
|---|---|---|---|---|
| **Operating leases which expire:** | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Within 1 year | 950 | 950 | - | - |
| Within 2-5 years | 3,800 | 3,800 | - | - |
| Greater than 5 years | 57,950 | 58,900 | - | - |

**18. Reconciliation of operating loss to net cash inflow / (outflow) from operating activities**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Operating loss | (4,166) | (6,584) |
| Depreciation | 5,763 | 5,631 |
| Profit on sale of tangible fixed assets | (4) | - |
| Increase in stock | (40) | (2) |
| (Increase) / decrease in debtors | (1,990) | 802 |
| Increase / (decrease) in creditors | 6,844 | (1,336) |
| Net cash inflow / (outflow) | 6,407 | (1,489) |

**19. 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 (estate).

The immediate parent company is Lancaster Hotel Jersey Limited.

**20. 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 2021 the company owed a net amount of £458,651 (2020: £580,678) to Landmark Overseas Development Company Limited. During the year management fees of £214,485 (2020: £247,116) were incurred.

At 31 October 2021 the company had the following balances due from / (to) fellow subsidiary companies:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Landmark Hotel London Limited | 2 | - |
| K West Hotel London Limited | - | - |
| Basil Street Apartments London Limited | - | 153,070 |

Following the disposal of certain hotel interests to fellow subsidiary companies in a prior year the company was also owed £95,000,000 (2020: £100,500,000) by Landmark Hotel London Limited (see note 10) at the year-end. The movement during the year represented a repayment of part of that loan.

At 31 October 2021, the company owed LODJ Limited, an intermediate parent undertaking, £116,000,000 under the terms of a discounted bond repayable on 31 October 2023 (see note 12). Accruals include £8,631,482 (2020: £4,073,010) in respect of the discount on the bond.

**21. Post Balance Sheet Events**

There are no post balance sheet events.

**22. Net debt reconciliation**

| | At 1 November 2020<br>£'000 | Cash flows<br>£'000 | At 31 October 2021<br>£'000 |
|---|---|---|---|
| **Cash and cash equivalents** | | | |
| Cash at bank and in hand | 7,098 | 4,911 | 12,009 |
| **Borrowings** | | | |
| Bond | (116,000) | - | (116,000) |
| Net debt | (108,902) | 4,911 | (103,991) |

There are no restrictions over the use of the cash and cash equivalents balances, which comprise cash at bank and in hand.