

Company No: 02832349

**THE LANCASTER LANDMARK HOTEL
COMPANY LIMITED**
**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2020**

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The Lancaster Landmark Hotel Company Limited
COMPANY INFORMATION
For the year ended 31 October 2020

Directors

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

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 2020

Business Review

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

The Royal Lancaster London performed well in the first five trading months of the year but by March this had all changed with the impact of Covid19: Following Government advice, the hotel closed in April 2020 and only re-opened at the end of August. Consequently, it was only open for 7 months of the financial year. The majority of staff were furloughed following closure. When the hotel re-opened the leisure market was almost the sole market for London for the rest of the year, with a small amount of corporate travel. The international travel, group and events business was non-existent, and all major events were cancelled.

Overall, total revenue for the year decreased from £38.4m to £15.1m, a decrease of £23.3m (61%), which was a creditable result in the circumstances and in no small measure due to the 'normal' trading environment in the first five months. £2.9m was received from the UK government under the Coronavirus Job Retention Scheme. The operating profit of £3.4m for the previous year turned into a loss of £6.6m for 2020.

The balance sheet position at 31st October 2020 showed a consequential decrease in net assets from £123.3m to £114.3m and the cash position reduced from £13.5m to £7.1m over the course of the year. Shortly after the year-end the company received a repayment of £5.5m of the c. £100m due from a fellow subsidiary in order to replenish its cash reserves and to provide sufficient liquidity to tide it over to a foreseen return to profitability after the pandemic is under control and restrictions are eased, forecast to be at the end of 2022.

Since the year-end trading has been mixed. The hotel stayed open throughout the second 'lockdown' at the end of 2020 and has continued to trade. Occupancy was low to start with but gradually picked up as the year went on and ended slightly below 20% taking the year to 31st October 2021 as a whole. Average rate per occupied room at over £240 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 close to 50% but the advent of the Omicron variant of Covid-19 took the shine off the run up to Christmas.

Business Environment

With Brexit a major issue, and prior to Covid-19, the hospitality trading environment had remained generally positive. The falling value of sterling has made the UK more competitive for overseas visitors and restrictions have encouraged domestic tourism.

Set against this, low UK unemployment rates, a reduction in the availability of 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 above the rate of inflation. Whilst this did not affect the company in 2020 it has figured in 2021 and will continue to do so going forward.

Future Outlook

The Covid pandemic, which started during 2020, 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 across the hotel industry.

Excepting a subdued Christmas period as a result of worries over the Omicron variant the last six months has seen a mild improvement. 50% occupancy is forecast for the 2022 financial year which, accompanied by average room rates similar to 2021 should see gross revenue for the year only 20% or so behind the pre-Coronavirus 2019. Strong cost control is expected to hold net losses at c. £3m. At EBITDA level the company is forecast to be positive to the tune of £5.2m. Thereafter, the company is expected to move back into net profit in 2023.

Key Performance Indicators

Revenue generated per available room night (RevPAR) decreased from £256 to £120 for 2020, reflecting the impact of Covid-19.

Gross Operating Profit per available room night (GOPPAR) was £9 which represented a decrease of 90% year on year.

The Lancaster Landmark Hotel Company Limited
STRATEGIC REPORT (cont'd)
For the year ended 31 October 2020

Principal risks and uncertainties

Economic Activity

The UK is 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 has been restrained and 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 is still some uncertainty over the trading outlook in 2022 although, as noted above, the company is in a relatively good position compared to the sector as a whole.

Competition

New hotel building in London is at peak levels with 6,500 rooms added last 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 London. Across the sector balance sheets have taken a hammering so we expect that some forecast additional supply will not materialize as investors reappraise the profitability of the sector as a whole and either delay or cancel plans to invest. Following the major refurbishment work carried out in the past few years the hotel product is of high quality, which we anticipate will allow the hotel to perform better on average than its peer group.

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.

Although the hotel has remained open since the end of the 2020 financial year trading has been subdued. It picked up slower than expected in 2021 as the pandemic wore on but there are early signs of a consistent recovery in 2022 now that the impact of the Omicron variant has reduced.

It is expected that the company will return to profitability in 2023. Until it does the company continues to benefit from the support available from its parent and other group companies. It has no external debt and healthy cash balances and is expected to remain cash positive for the foreseeable future. Consequently, the company continues to be a going concern and has sufficient resources to pay its liabilities when due.

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

By Order of the Board on 21 February 2022



P. Stockton
Director

The Lancaster Landmark Hotel Company Limited
DIRECTORS' REPORT
For the year ended 31 October 2020

The directors present their report and the audited financial statements for the year ended 31 October 2020. 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 (appointed 1 June 2020)

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 in Q1 2020 has had a significant impact on the operations of the hotel during the year. After a good start to the year the full impacts of the slowdown and eventual lockdown were felt strongly in the period from March 2020 until the end of the financial year. The short hiatus in the summer months did little to restore confidence in the central London hotel market and occupancy levels remained very low.

In the circumstances and with a further lockdown adding to already gloomy forecasts for 2020-21 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, the postponement of some planned capital expenditure and the conservation of cash resources generally. At the end of the year the cash resources of the company stood at over £7 million, which the directors believe is sufficient to trade until the end of 2022 and beyond without requiring further finance. 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 in 2022 once the restrictions in relation to COVID-19 are lifted. The work on the company's cost base will allow it to return to profitability at a much lower level of occupancy and RevPAR than was previously the case.

At the year end, the company extended the term of the £116m 3.5% discount bond issued to LODJ Limited, its intermediate parent company by one year. Subsequent to the year end the bond was rolled over until 31st October 2023 at a discount equivalent to a rate of 3%. This provides the company with further breathing space in what is generally a period of great uncertainty.

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 2020

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



P. Stockton
Director

The Lancaster Landmark Hotel Company Limited
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 October 2020

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2020 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.

We have audited the financial statements of The Lancaster Landmark Hotel Company Limited ("the Company") for the year ended 31 October 2020 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 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).

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.

Independence

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 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. 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.

Other Companies Act 2006 reporting

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.

The Lancaster Landmark Hotel Company Limited
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LANCASTER LANDMARK HOTEL COMPANY LIMITED (CONTINUED)

Other Companies Act 2006 reporting (continued)

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.

Extent to which the audit was 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:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the directors and other management (as required by auditing standards).
- We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors.
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- We addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

The Lancaster Landmark Hotel Company Limited**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LANCASTER LANDMARK HOTEL COMPANY LIMITED (CONTINUED)****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

DocuSigned by:

Simon Peter Fowles

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Simon Fowles (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

55 Baker Street

London

W1U 7EU

Date 22 February 2022

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 2020

	Note	2020 £'000	2019 £'000
Turnover	1(e)	15,113	38,355
Cost of sales		<u>(1,298)</u>	<u>(3,008)</u>
Gross profit		13,815	35,347
Administrative expenses		(23,274)	(31,948)
Other operating income – JRS grants	1(n)	<u>2,875</u>	<u>-</u>
Operating (loss) / profit	2	(6,584)	3,399
Interest receivable and similar income	4	35	57
Interest payable and similar charges	5	<u>(4,083)</u>	<u>(4,541)</u>
Loss on ordinary activities before taxation		(10,632)	(1,085)
Taxation on loss on ordinary activities	6	<u>1,652</u>	<u>1,207</u>
(Loss) / profit for the year		<u>(8,980)</u>	<u>122</u>
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	15	(39)	(108)
Deferred tax on actuarial loss		<u>8</u>	<u>21</u>
Total other comprehensive loss		<u>(31)</u>	<u>(87)</u>
Total comprehensive (loss) / profit		<u>(9,011)</u>	<u>35</u>

The results for the year arose from continuing activities.

The notes on pages 13 to 22 form an integral part of these financial statements.

The Lancaster Landmark Hotel Company Limited
STATEMENT OF FINANCIAL POSITION
At 31 October 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	7	<u>134,590</u>	<u>139,642</u>
Current assets			
Stocks	8	84	82
Debtors: Amounts falling due after one year	9	100,608	108
Debtors: Amounts falling due within one year	9	854	101,896
Cash at bank and in hand		<u>7,098</u>	<u>13,465</u>
Creditors: Amounts falling due within one year	10	<u>108,644</u> <u>(9,981)</u>	<u>115,551</u> <u>(11,317)</u>
Net current assets		<u>98,663</u>	<u>104,234</u>
Total assets less current liabilities		233,253	243,876
Provision for liabilities	13	(2,438)	(4,090)
Creditors: Amounts falling due after one year	11	<u>(116,000)</u>	<u>(116,000)</u>
Net assets excluding pension deficit		114,815	123,786
Pension deficit	15	<u>(535)</u>	<u>(494)</u>
Net assets		<u>114,281</u>	<u>123,292</u>
Capital and reserves			
Share capital	14	1,000	1,000
Profit and loss account		104,281	113,292
Capital redemption reserve		<u>9,000</u>	<u>9,000</u>
Shareholder's funds		<u>114,281</u>	<u>123,292</u>

Approved by the Board and authorised for issue on 21 February 2022



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P. Stockton
Director

Company Number 02832349

The notes on pages 13 to 22 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 2020

	Share capital £'000	Profit and loss account £'000	Capital redemption reserve £'000	Total £'000
Balance at 1 November 2018	1,000	113,257	9,000	123,257
Comprehensive income for the year:				
Profit for the year	-	122	-	122
Actuarial loss on pension scheme	-	(108)	-	(108)
Taxation on other comprehensive income	-	21	-	21
Other comprehensive loss 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
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 income for the year	-	(9,011)	-	(9,011)
Balance at 31 October 2020	1,000	104,281	9,000	114,281

The notes on pages 13 to 22 form an integral part of these financial statements.

The Lancaster Landmark Hotel Company Limited
STATEMENT OF CASH FLOWS
For the year ended 31 October 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Cash (absorbed by) / generated from operations	17	(1,489)	8,483
Adjustments for:			
Corporation Tax received		-	-
Interest paid		(4,073)	(4,541)
Net cash (outflow) / inflow from operating activities		<u>(5,823)</u>	<u>3,942</u>
Cash flow from investing activities			
Purchases of property, plant and equipment	7	(579)	(3,295)
Proceeds from the sale of property, plant and equipment		-	174
Interest received		35	57
Pension return		-	(88)
Net cash used in investing activities		<u>(544)</u>	<u>(3,152)</u>
Cash flow from financing activities			
Decrease in borrowings		<u>(261)</u>	<u>-</u>
Net cash used in financing activities		<u>(261)</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents		(6,367)	790
Cash and cash equivalents at the beginning of the year		<u>13,465</u>	<u>12,675</u>
Cash and cash equivalents at the end of the year	21	<u><u>7,098</u></u>	<u><u>13,465</u></u>

The notes on pages 13 to 22 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 2020

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 2020 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 United Kingdom company limited by shares. It is both 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

At the year end, the company owed LODJ Limited, its intermediate parent company, £116m under the terms of a discounted bond issued on 1st October 2019. The bond carries a discount of 3.5% and is repayable on 31st October 2022 subject to the terms of a bank loan to a fellow subsidiary, Landmark Hotel London Limited (LHLL). Subsequent to the year end the bond was rolled over for a further year until 31st October 2023 at a discount equivalent to a rate of 3%. LHLL owed the company £100.5m (2019: £94,785,506). £5.5m of this loan was repaid on 18th November 2020 by mutual agreement. The balance of £95m 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 confirmation has been provided that a notice to repay will not be given unless the fellow subsidiary is in a position 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.

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotel during the year, as it has all quality hotels in central London. After a good start to the year the full impacts of the slowdown and eventual lockdown were felt strongly in the period from March until the end of the year. The short hiatus in the summer months did little to restore confidence in the central London hotel market and occupancy levels remained very low. In the circumstances and with net operating losses of £5.9m in the 2020/21 financial year 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, the postponement of some planned capital expenditure and the conservation of cash resources generally. At the end of the year the cash resources of the company stood at over £7m which, together with positive EBITDA and the support offered by its intermediate parent allows the company to trade confidently.

The directors have assessed and stress tested the financing requirements of the company and believe 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 external finance. 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 fully lifted. The work on the company's cost base will allow it to return to profitability at a much lower level of occupancy and RevPAR than was previously the case. Accordingly, the directors believe that the company continues to be a going concern and the financial statements have been prepared on a going concern basis.

(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

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

1. Principal Accounting Policies (cont'd)

(c) Tangible fixed assets (cont'd)

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.

(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 be payable or recoverable 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 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.

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

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:

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.

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

1. Principal Accounting Policies (cont'd)

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

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 2020.

Interest

No interest has been charged on the long-term loan balance described in Note 9. 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) / Profit

	2020	2019
	£'000	£'000
The operating result is stated after charging:		
Depreciation	5,631	6,072
Auditors' remuneration - audit	43	43
- non audit (taxation)	21	27
Loss on disposal of fixed assets	-	174
Expenditure on repairs and maintenance	418	1,421
Operating lease rentals	950	950

3. Directors and Employees

The directors did not receive any emoluments during the year (2019: £nil). There are no persons other than the directors considered to be key management.

Staff costs during the year were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	9,583	11,678
Social security costs & related	748	835
Pension costs	249	232
	<u>10,580</u>	<u>12,745</u>

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

	2020	2019
Rooms	74	120
Catering	88	191
Sales	22	22
Administration	39	36
Service	23	17
	<u>246</u>	<u>386</u>

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

4. Interest Receivable and Similar Income

	2020 £'000	2019 £'000
Bank interest	<u>35</u>	<u>57</u>

5. Interest Payable and Similar Charges

	2020 £'000	2019 £'000
Discount on inter-company bond / other	<u>4,083</u>	<u>4,541</u>

6. Taxation on Loss on Ordinary Activities

	2020 £'000	2019 £'000
Corporation tax on the result for the year	-	(802)
Adjustment in respect of prior years	<u>-</u>	<u>7</u>
	<u>-</u>	<u>(795)</u>
Deferred taxation (note 13)		
Current year	1,003	(510)
Adjustment in respect of previous year	649	166
Pension scheme deficit	<u>-</u>	<u>(68)</u>
	<u>1,652</u>	<u>(412)</u>
	<u>1,652</u>	<u>(1,207)</u>

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

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	<u>(10,632)</u>	<u>(1,085)</u>
Tax on loss on ordinary activities at 19% (2019: 19%)	(2,020)	(206)
<i>Factors affecting the charge for the year:</i>		
Disallowable expenditure	464	534
Capital allowances in excess of depreciation	(662)	-
Transfer pricing adjustment	732	802
Reversal of transfer pricing adjustment	-	(802)
Other timing differences	2	(887)
Short term timing differences	-	(250)
Change in tax rate	481	-
Losses unutilised in current year	-	(405)
Adjustment in respect of prior years	<u>(649)</u>	<u>7</u>
Tax on loss on ordinary activities	<u>(1,652)</u>	<u>(1,207)</u>

In the 2016 budget the government announced that the Corporation Tax main rate would be 17% with effect from 1 April 2020. However, in the 2020 Budget this rate was increased to 19% necessitating an adjustment of £481,071 for the resultant increase in the deferred tax liability (note 13).

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

7. Tangible Fixed Assets

	Long Leasehold Land & Buildings £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost				
At 1 November 2019	79,830	30,595	60,063	170,488
Additions	33	120	426	579
Disposals	-	0	(24)	(24)
At 31 October 2020	<u>79,863</u>	<u>30,715</u>	<u>60,465</u>	<u>171,043</u>
Depreciation				
At 1 November 2019	-	14,150	16,696	30,846
Charge for the year	-	1,744	3,887	5,631
Disposals	-	-	(24)	(24)
At 31 October 2020	<u>-</u>	<u>15,894</u>	<u>20,559</u>	<u>36,453</u>
Net book value				
At 31 October 2020	<u>79,863</u>	<u>14,821</u>	<u>39,906</u>	<u>134,590</u>
At 31 October 2019	<u>79,830</u>	<u>16,445</u>	<u>43,367</u>	<u>139,642</u>

8. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	<u>84</u>	<u>82</u>

9. Debtors

	2020 £'000	2019 £'000
<u>Amounts falling due within one year:</u>		
Gross trade debtors	39	1,111
Allowance for estimated irrecoverable trade debtors	<u>(25)</u>	<u>(25)</u>
Net trade debtors	14	1,086
Amount due from fellow subsidiary undertakings (note 19)	153	100,262
Other debtors	422	30
Prepayments and accrued income	<u>265</u>	<u>518</u>
	<u>854</u>	<u>101,896</u>
<u>Amounts falling due after one year:</u>		
Amount due from fellow subsidiary undertakings (note 19)	100,500	-
Other debtors	<u>108</u>	<u>108</u>
	<u>100,608</u>	<u>108</u>

Included in amounts due from a fellow subsidiary undertaking is £100.5m (2019: £94.7m) principally relating to the purchase by that fellow subsidiary of a freehold property belonging to the company. Of this amount £5.5m was repaid shortly after the year-end. The balance of £95m 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 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.

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

10. Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	1,329	2,622
Amounts due to fellow subsidiary undertakings (note 19)	-	87
Amounts due to intermediate parent undertakings (note 19)	581	793
Other creditors	45	17
Other taxation and social security costs	358	2,088
Accruals and deferred income	5,193	2,375
Payments on account	2,475	3,335
	<u>9,981</u>	<u>11,317</u>

11. Creditors: Amounts falling due after one year

	2020 £'000	2019 £'000
Amounts due to intermediate parent undertakings	<u>116,000</u>	<u>116,000</u>

The amount due to intermediate parent undertakings represents a bond issued at a discount of the equivalent of 3.5% p.a. and is repayable on 31st October 2022. Subsequent to the year end the bond was rolled over until 31st October 2023 at a discount equivalent to a rate of 3%.

12. Financial instruments

	2020 £'000	2019 £'000
Financial assets measured at amortised cost	<u>7,687</u>	<u>114,951</u>
Financial liabilities measured at amortised cost	<u>125,623</u>	<u>125,229</u>

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.

13. Provision for Liabilities

	2020 £'000	2019 £'000
Deferred tax		
At 1 November 2019	4,090	4,434
Movement in the year (note 6)	<u>(1,652)</u>	<u>(344)</u>
At 31 October 2020	<u>2,438</u>	<u>4,090</u>
The deferred tax liability consists of:		
Accelerated capital allowances	4,347	4,156
Short-term timing differences	(840)	(66)
Trading losses	<u>(1,069)</u>	<u>-</u>
	2,438	4,090

The Finance Act 2021 was substantially 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%. As the change had not been substantially enacted at the Statement of financial position date, any deferred tax liabilities are calculated at 19%.

14. Share Capital

	2020 £'000	2019 £'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 2020

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 actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 October 2020 for the purpose of the disclosures required under FRS17 Retirement Benefits.

The contributions made by the employer over the financial year were £249,618 (2019: £233,960). 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 2020 %p.a.	31 October 2019 %p.a.	31 October 2018 %p.a.
Inflation (RPI)	3.16%	2.96%	3.11%
Rate of increase in salaries	1.00%	2.06%	2.21%
LPI pension in payment increases			
Discount rate	1.25%	1.57%	2.56%
Commutation of pension for cost at retirement	Nil	Nil	Nil

The mortality assumptions adopted at 31 October 2020 are based on S2PA with allowance for future mortality improvements using CMI 2019 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 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	Long term rate of return expected at 31 October 2018 % p.a.	Value at 31 October 2018 £'000
Equities	68.4%	12,663	69.4%	11,397	69.7%	10,336
Fixed interest bonds	31.6%	5,839	30.2%	4,954	30.0%	4,463
Cash	0%	0	0.4%	76	0.3%	24
Inclusion of Insured Annuity		(25)		32		770
Total market value of assets		20,251		18,201		16,566
Present value of scheme liabilities		(20,911)		(18,810)		(16,709)
Deficit in the scheme		(660)		(609)		(143)
Related deferred tax asset		125		115		27
Net pension liability		(535)		(494)		(116)

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

15. Pensions (Continued)

Movement in deficit during the year:

	2020	2019
	£'000	£'000
Deficit in scheme at beginning of the year	(609)	(143)
Movement in the year:		
Current service cost	(139)	(116)
Net Interest cost	(9)	(3)
Contributions	136	130
Allowance for GMP equalisation	-	(369)
Actuarial loss	(39)	(108)
Deficit in scheme at end of the year	(660)	(609)

Analysis of the amount charged to operating profit

	2020	2019
	£'000	£'000
Current service cost	139	116
Interest on net defined benefit obligation	9	3
Allowance for GMP equalisation	-	369
Total operating charge	148	488

Analysis of the amounts recognised in other comprehensive income

	2020	2019
	£'000	£'000
Actuarial gain on pension scheme assets	2,038	1,261
Experience loss arising on scheme liabilities	(1,332)	(181)
Actuarial loss from change in assumptions	(745)	(1,188)
Actuarial loss recognised in other comprehensive income	(39)	(108)

16. Operating Lease Commitments

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

	Building Lease		Other	
Operating leases which expire:	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Within 1 year	950	950	-	-
Within 2-5 years	3,800	3,800	-	-
Greater than 5 years	58,900	59,850	-	-

17. Reconciliation of operating (loss) / profit to net cash inflow / (outflow) from operating activities

	2020	2019
	£'000	£'000
Operating (loss) / profit	(6,584)	3,399
Depreciation	5,631	6,072
(Increase) / decrease in stock	(2)	5
Decrease / (increase) in debtors	802	(264)
Decrease in creditors	(1,336)	(1,970)
Decrease in provisions	-	1,241
Net cash (outflow) / inflow	(1,489)	8,483

The Lancaster Landmark Hotel Company Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2020

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 (estate).

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 2020 the company owed £580,678 (2019: £793,054) to Landmark Overseas Development Company Limited. During the year management fees of £247,116 (2019: £1,383,508) were incurred.

At 31 October 2020 the company had the following balances due from / (to) fellow subsidiary companies:

	2020 £	2019 £
Landmark Hotel London Limited	-	5,453,859
K West Hotel London Limited	-	22,673
Basil Street Apartments London Limited	153,070	(87,730)

Following the disposal of certain hotel interests to fellow subsidiary companies in a prior year the company was also owed £100.5m (2019: £94,785,506) by Landmark Hotel London Limited (see note 9). The movement during the year represented a consolidation of inter-company balances.

At 31 October 2020, the company owed LODJ Limited, an intermediate parent undertaking, £116,000,000 under the terms of a discounted bond repayable on 31st October 2022 (see note 11). Accruals include £4,073,010 (2019: £343,880) in respect of the discount on the bond.

20. Post Balance Sheet Events

Following 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 payment of VAT to March 2021.

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

21. Net debt reconciliation

	At 1 November 2019 £'000	Cash flows £'000	At 31 October 2020 £'000
Cash at bank and in hand	13,465	(6,367)	7,098
Bond	(116,000)	-	(116,000)
Net debt	(102,535)	(6,367)	(108,902)

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