

Marriott Hotels Limited

Accounts 30 November 1996
together with directors' and auditors' reports

Registered number: 1235583



Directors' report

For the year ended 30 November 1996

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 November 1996.

Principal activity and business review

The principal activity of the company continues to be the management of the London Marriott Hotel. As explained in note 2 to the accounts, the company's revenues are related to the profitability of the hotel under management. No management fee has been recognised for the year (1995 - £nil).

The company also receives rental income in respect of the head lease of the land of the London Marriott Hotel which was purchased in November 1986.

Results and dividends

Results and dividends are as follows:

	£
Retained profit at 1 December 1995	431,685
Profit for the year after taxation	15,250
Retained profit at 30 November 1996	<u>446,935</u>

The directors do not recommend the payment of a dividend (1995 - nil).

Directors and their interests

The directors who served during the year were:

C.J. Pulley
R.E. Evers (US citizen)
F.J. Ferschke (US citizen)

There are no directors' interests in the shares of the company which are required to be disclosed under schedule 7 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

18-19 Southampton Place
London
WC1A 2AJ

By order of the Board,



R.E. Evers

Director

29 December 1997

Auditors' report

London

To the Shareholders of Marriott Hotels Limited:

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention following the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 November 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

29 December 1997

Profit and loss account

For the year ended 30 November 1996

	Notes	1996 £	1995 £
Turnover	1c&2	527,526	474,230
Operating expenses		(509,339)	(457,023)
Operating profit		18,187	17,207
Interest receivable and similar income	3	4,517	6,729
Profit on ordinary activities before taxation	4	22,704	23,936
Tax charge on profit on ordinary activities	6	(7,454)	(9,356)
Retained profit for the year		15,250	14,580
Retained profit, at beginning of year		431,685	417,105
Retained profit, at end of year		446,935	431,685

There are no recognised gains or losses other than the profit for the financial year of £15,250 (1995 - £14,580).

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 November 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	7	<u>268,342</u>	<u>272,743</u>
Current assets			
Debtors	8	642,451	155,304
Cash at bank and in hand		<u>48,330</u>	<u>247,968</u>
		690,781	403,272
Creditors: Amounts falling due within one year	9	<u>(512,088)</u>	<u>(243,084)</u>
Net current assets		<u>178,693</u>	<u>160,188</u>
Total assets less current liabilities		447,035	432,931
Provisions for liabilities and charges	10	<u>-</u>	<u>(1,146)</u>
Net assets		<u>447,035</u>	<u>431,785</u>
Capital and reserves			
Called-up share capital	11	100	100
Profit and loss account	12	<u>446,935</u>	<u>431,685</u>
Total capital and reserves		<u>447,035</u>	<u>431,785</u>

Signed on behalf of the Board

R.E. Evers

Director



29 December 1997

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

30 November 1996

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

The company is exempt from the requirement of FRS1 (revised) to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary of Marriott International Inc. in whose financial statements the company is consolidated.

b) Taxation

Corporation tax payable is provided on taxable profits at the current rate of 33%.

c) Turnover

Turnover comprises hotel management fees, recharge of staff costs and rental income, excluding VAT.

d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Leasehold land - term of the lease.

2 Turnover

Under the terms of a management agreement entered into in September 1989, the company is entitled to management fee income which is dependent on the profitability of the London Marriott Hotel (the operating name for Lomar Hotel Company Limited). The fee is equal to 15% of house profit and is payable out of net cash flow, as defined in the agreement.

Under the agreement any accrued and unpaid management fees arising in the first three years shall be waived by Marriott Hotels Limited. This has been the case because there was no available net cash flow.

In the current year, a management fee of £902,383 (1995 - £772,423) being 15% of the London Marriott Hotel house profits was earned. Net cash flow of the London Marriott Hotel was insufficient to enable any payment of this fee and the directors are of the opinion that the future net cash flows may not be sufficient to support such a payment. The management fee income has therefore not been recognised in the accounts. Together with previous years the unrecognised contingent management fee due from Lomar Hotel Company Limited amounts to £2,816,383 (1995 - £1,914,000).

Notes to accounts (continued)

2 Turnover (continued))

Contributions to turnover were as follows:

	1996 £	1995 £
Other hotel management charges	487,526	434,230
Rental income	40,000	40,000
	<u>527,526</u>	<u>474,230</u>

All turnover arose in the United Kingdom. Other hotel management charges represent the recharge of all staff costs to the London Marriott Hotel, and rental income comprises the rent charged in respect of the Head Lease of the land on which the hotel is situated.

3 Interest receivable and similar income

	1996 £	1995 £
Interest receivable from short-term bank deposits	<u>4,517</u>	<u>6,729</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	1996 £	1995 £
a) Rent receivable	<u>40,000</u>	<u>40,000</u>
and after charging:		
a) Auditors' remuneration		
- audit fees	4,900	4,900
- other	3,485	2,570
b) Staff costs (see note 5)	487,526	434,230
c) Depreciation	<u>4,401</u>	<u>4,401</u>

Notes to accounts (continued)

5 Staff costs

Particulars of employees are as shown below:

	1996 £	1995 £
Employee costs during the year amounted to:		
Wages and salaries	457,467	417,626
Social security costs	30,059	16,604
	<u>487,526</u>	<u>434,230</u>

The average weekly number of persons employed by the company during the year was as follows:

	Number	Number
Administration	<u>4</u>	<u>4</u>

Directors' remuneration:

Directors of the company received the following remuneration:

	£	£
Emoluments (including pension contributions)	<u>213,398</u>	<u>212,130</u>

The emoluments, excluding pension contributions, of the directors included:

	£	£
Highest paid director	<u>211,093</u>	<u>210,310</u>

The ranges of directors' emoluments, excluding pension contributions, were as follows:

	Number	Number
Up to £ 5,000	2	2
£210,001 - £215,000	<u>1</u>	<u>1</u>

Notes to accounts (continued)

6 Tax charge on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1996 £	1995 £
UK corporation tax at 33% (1995 - 33%)	(8,600)	(9,346)
Deferred taxation arising from other timing differences		
- current year	1,146	116
- adjustment in respect of prior years	-	(126)
	<u>(7,454)</u>	<u>(9,356)</u>

7 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	1996 £	1995 £
Leasehold land and buildings	<u>268,342</u>	<u>272,743</u>

The movement in the year was as follows:

	Land and buildings long leasehold £
Cost	<u>312,515</u>
Depreciation	
Beginning of year	39,772
Charge	<u>4,401</u>
End of year	<u>44,173</u>
Net book value	
Beginning of year	<u>272,743</u>
End of year	<u>268,342</u>

In November 1986, the company purchased the Head Lease of the land on which the London Marriott Hotel stands. Under the terms of this lease, which expires in 2057, the company is obliged to pay a fixed annual rental of £8,880 to the owner of the freehold interest in the land. The company is in turn receiving over this period an annual fixed rental income of £40,000 from the current tenant under a separate operating lease.

Notes to accounts (continued)

8 Debtors

	1996 £	1995 £
Amounts falling due within one year:		
- trade debtors	642,451	154,925
- interest receivable	-	379
	<u>642,451</u>	<u>155,304</u>

9 Creditors: Amounts falling due within one year

The following are included in creditors falling due within one year:

	1996 £	1995 £
UK corporation tax payable	46,976	38,376
Other creditors		
- VAT	3,736	5,500
- social security and PAYE	81,933	88,109
- other	379,443	111,099
	<u>512,088</u>	<u>243,084</u>

10 Provisions for liabilities and charges

Deferred taxation arising from timing differences with regard to the recognition of interest income has been provided as follows:

	1996 £	1995 £
Beginning of year	1,146	1,136
Charged to profit and loss	(1,146)	10
End of year	<u>-</u>	<u>1,146</u>

11 Called-up share capital

	1996 £	1995 £
<i>Authorised, allotted, called-up and fully-paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to accounts (continued)

12 Reconciliation of movement in shareholders' funds

	Share capital £	Profit and loss account £	Total £
Beginning of year	100	431,685	431,785
Profit for the year	-	15,250	15,250
End of year	100	446,935	447,035

13 Ultimate parent company

The company is a direct subsidiary undertaking of Marriott Hotels and Catering (Holdings) Limited, registered in England and Wales. The ultimate holding company is Marriott International Inc., incorporated in the State of Delaware, USA.

The largest and smallest group in which the company's results are consolidated is that headed by Marriott International Inc.

The consolidated accounts of Marriott International Inc. are available to the public and may be obtained from Marriott International Inc., 1 Marriott Drive, Washington D.C. 20058 USA.

14 Related party transactions

As a subsidiary of Marriott International Inc., the company has taken advantage of the exemption in FRS8 'Related Party Transactions' not to disclose transactions with other members of the group headed by Marriott International Inc.

Included in trade debtors and other creditors are amounts of £682,785 and £333,838 due from and to Lomar Hotel Company Limited, a related party. 10% of Lomar Hotel Company is owned by MEVBV, a subsidiary of Marriott International Inc. These amounts arose under the terms of the management contract referred to in note 2.