

Company Registration No. 1235583

Marriott Hotels Limited

Report and Financial Statements

31 December 2005

WEDNESDAY



L9OE4OF3

LD6

04/04/2007

489

COMPANIES HOUSE

Marriott Hotels Limited

Report and financial statements 2005

Contents	Page
Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

Marriott Hotels Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005

Principal activities

The principal activity of the company continues to be the management of Marriott hotels in the UK. During the year the company entered into an agreement to manage forty-six hotels formerly owned and managed by Whitbread Group Plc. These hotels were acquired on 5 May 2005 by Condor Overseas Holdings Limited, a joint venture between Whitbread Group Plc and a fellow Marriott group company.

Results and dividends

Results and dividends are as follows

	2005 £	2004 £
Retained profit at 1 January	872,824	807,150
Profit for the year after taxation	409,632	65,674
Retained profit at 31 December	<u>1,282,456</u>	<u>872,824</u>

The directors do not recommend the payment of a dividend (2004 – nil). The directors expect no significant changes in the general level of activity of the company for the foreseeable future.

Directors and their interests

The directors who served throughout the year (except as stated) and up to the date of release of this report were

H H Hansen	(US citizen) (resigned 21 June 2005)
H H Davies	(US citizen)
J M Healy	(US citizen)
R J Gaymer- Jones	(US Citizen) (appointed 30 August 2005)
J A Coughtrie	(appointed 15 December 2005) (resigned 2 June 2006)
P A Simmons	(appointed 14 August 2006)
S G Haggerty	(US citizen) (appointed 13 April 2006)

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

Marriott Hotels Limited

Directors' report

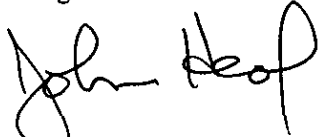
Financial Risk Management

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risk the directors consider relevant to this company is cash flow risk. This risk is mitigated by the nature of the balances owed.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J M Healy
Director

7 Albemarle Street
London
W1S 4HQ

30/03/ 2007

Marriott Hotels Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, 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, and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Marriott Hotels Limited

We have audited the financial statements of Marriott Hotels Limited which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Independent auditors' report to the members of Marriott Hotels Limited (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

30 March 2007

Marriott Hotels Limited

Profit and loss account Year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	1, 2	63,527,902	455,766
Operating expenses		(63,025,666)	(390,079)
Operating profit		502,236	65,687
Interest receivable and similar income	3	41,936	30,240
Interest payable and similar charges	4	-	(221)
Profit on ordinary activities before taxation	5	544,172	95,706
Tax charge on profit on ordinary activities	7	(134,540)	(30,032)
Profit on ordinary activities after taxation and for the financial year	12	409,632	65,674
Retained profit at beginning of year		872,824	807,150
Retained profit at end of year	12	1,282,456	872,824

There are no recognised gains or losses other than the profit for the financial year of £409,632 (2004 - £65,674)

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

The company's results all relate to continuing activities

Marriott Hotels Limited

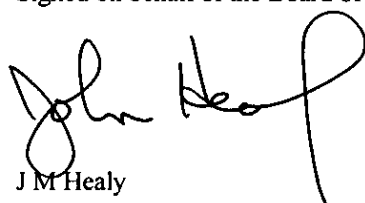
Balance sheet 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	<u>228,360</u>	<u>232,762</u>
Current assets			
Debtors	9	8,733,702	1,544,365
Cash at bank and in hand		<u>847,965</u>	<u>333,382</u>
		9,581,667	1,877,747
Creditors: amounts falling due within one year	10	<u>(8,527,471)</u>	<u>(1,237,585)</u>
Net current assets		<u>1,054,196</u>	<u>640,162</u>
Total assets less current liabilities	12	<u>1,282,556</u>	<u>872,924</u>
Capital and reserves			
Called up equity share capital	11	100	100
Profit and loss account	12	<u>1,282,456</u>	<u>872,824</u>
Equity shareholders' funds	12	<u>1,282,556</u>	<u>872,924</u>

The accompanying notes are an integral part of this balance sheet

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

29/3/2007


J M Healy
Director

Marriott Hotels Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The accounting policies adopted have been applied consistently throughout the year and the preceding year. The particular accounting policies adopted are described below.

Basis of accounting

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

The company is exempt from the requirement of FRS 1 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.

Taxation

UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

Turnover

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

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 buildings - term of the lease

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Marriott Hotels Limited

Notes to the accounts Year ended 31 December 2005

2. Turnover

Contributions to turnover were as follows

	2005 £	2004 £
Other hotel management charges	62,752,958	321,597
Rental income	40,000	40,000
Management fees	734,944	94,169
	<u>63,527,902</u>	<u>455,766</u>

3. Interest receivable and similar income

	2005 £	2004 £
Bank interest receivable	3,295	20,966
Intercompany interest receivable	34,830	9,274
Foreign exchange gain	3,811	-
	<u>41,936</u>	<u>30,240</u>

4. Interest payable and similar charges

	2005 £	2004 £
Bank charges	-	221
	<u>-</u>	<u>221</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2005 £	2004 £
Depreciation	4,402	4,402
Auditors' remuneration		
- audit fees	45,000	10,250
- non audit fees	29,491	30,598
	<u>78,893</u>	<u>45,250</u>

Marriott Hotels Limited

Notes to the accounts Year ended 31 December 2005

6. Staff costs

Particulars of employees (including executive directors) are as shown below

	2005 £	2004 £
Employee costs during the year amounted to		
Wages and salaries	55,385,643	289,728
Social security costs	5,580,952	31,869
	<u>60,966,595</u>	<u>321,597</u>

The average weekly number of persons employed by the company during the year (including executive directors) was as follows

	No.	No.
Administration	<u>8,133</u>	<u>2</u>

	2005 £	2004 £
--	-----------	-----------

Directors' remuneration:

The remuneration of the directors was as follows

Emoluments	<u>90,251</u>	<u>273,790</u>
Highest paid director	<u>90,251</u>	<u>273,790</u>

7. Tax charge on profit on ordinary activities

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

	2005 £	2004 £
UK corporation tax at 30%	164,572	30,032
Under provision in respect of prior periods	(30,032)	-
Total current taxes	<u>134,540</u>	<u>30,032</u>
Deferred tax	-	-
Total tax charge	<u>134,540</u>	<u>30,032</u>

Marriott Hotels Limited

Notes to the accounts Year ended 31 December 2005

7. Tax charge on profit on ordinary activities (continued...)

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2005 £	2004 £
Profit on ordinary activities before tax	544,172	95,706
Tax at 30%	163,251	28,712
Effects of		
Expenses not deductible for tax purposes	1,321	1,320
Group relief claimed	-	-
Under provision in respect of prior periods	(30,032)	-
Current tax charge for the period	134,540	30,032

There are no provided or unprovided deferred tax liabilities or assets as at 31 December 2005 (2004 £nil)

8. Tangible fixed assets

	Land and buildings long leasehold £
Cost	312,516
Depreciation	
Beginning of year	79,754
Charge for the year	4,402
End of year	84,156
Net book value	
Beginning of year	232,762
End of year	228,360

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.

Marriott Hotels Limited

Notes to the accounts Year ended 31 December 2005

9. Debtors

	2005 £	2004 £
Amounts falling due within one year		
- amounts due from group undertakings	1,205,902	595,757
- trade debtors (see note 14)	5,097,045	18,151
- other debtors	503,682	924,532
- prepayments	1,927,073	-
- corporation tax debtor	-	5,925
	<u>8,733,702</u>	<u>1,544,365</u>

In September 2004, MHL made a loan to Marriott International Finance Company BV of £583,427, a fellow group company. Interest is charged on this loan at 1% over LIBOR.

10. Creditors: amounts falling due within one year

The following are included in creditors falling due within one year

	2005 £	2004 £
Amounts due to group undertakings	320,448	729,392
Trade creditors	492,581	-
Other creditors		
- Corporation tax creditor	134,540	-
- VAT	5,392,602	14,522
- social security and PAYE	-	100,471
- other	2,187,300	393,200
	<u>8,527,471</u>	<u>1,237,585</u>

Amounts due to group undertakings are interest free and repayable on demand

11. Called up share capital

	2005 £	2004 £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Marriott Hotels Limited

Notes to the accounts

Year ended 31 December 2005

12 Reconciliation of movement in shareholders' funds

	Share capital £	Profit and loss account £	Total £
Beginning of year	100	872,824	872,924
Profit for the year	-	409,632	409,632
End of year	100	1,282,456	1,282,556

13. Ultimate parent company

The company is a direct subsidiary undertaking of Marriott Hotels and Catering (Holdings) Limited, incorporated in Great Britain. The ultimate holding company and controlling party 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 disclosures' not to disclose transactions with other greater than 90% owned members of the group headed by Marriott International Inc.

On the 5 May 2005 Marriott UK Acquisition Company Limited, a fellow group company, entered into a 50/50 Joint Venture with Whitbread Group plc as shareholders of Condor Overseas Holdings Limited for the purpose of acquiring, owning and operating a portfolio of hotels until such time as those hotels may be sold to third party purchasers in one or more transactions. Included in the trade debtors are amounts of £4,031,619 for management fees and charges due from Condor Overseas Holdings Limited. Included in turnover is £590,634 in respect of management fees from Condor Overseas Holdings Limited. Also included in the trade debtors amounts of £856 (2004 - £1,055) due from Cheshunt Hotel Operating Limited. Included in turnover is £10,646 (2004 - £10,968) in respect of management fees receivable from Cheshunt Hotel Operating Company Limited. Cheshunt Hotel Operating Company Limited is 49% owned by the company's ultimate parent, Marriott International Inc.

15. Commitment and contingencies and post balance sheet events

At 31 December 2005 the company had committed to make payments totalling £2.5 million related to the acquisition of new hotel management agreements. These were paid in 2006.

At 31 December 2005 the company had a contingent receivable from a former owner of a hotel managed by the company. The former owner sold the hotel in 2006 which crystallised the contingent asset resulting in a payment of £5.5 million to the company.