

Company Registration Number 5441702

Marriott V & A Hotel Operating Company Limited

Report and Financial Statements

31 December 2006

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Marriott V & A Hotel Operating Company Limited

Report and Financial Statements 2006

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Marriott V & A Hotel Operating Company Limited

Report and Financial Statements 2006

Officers and Professional Advisors

Directors

C A Braak
J H Giesbert
K K Oberg

Secretary

CITCO Management UK Limited
7 Albermarle Street
London
W1S 4HQ

Registered office

7 Albermarle Street
London
W1S 4HQ

Bankers

Natwest
1 Princess Street
London
EC2R 8BP

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Marriott V & A Hotel Operating Company Limited

Director's Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

This report is prepared in accordance with the special provisions relating to small companies within s246(4) of the companies Act 1985

Principal activity

The principal activities of the company are those of hoteliers and caterers On 4 April 2006 the company entered into a lease agreement for the Marriott V&A Hotel in Manchester, which it continues to operate

Business review and future prospects

The company will continue to serve as a hotel operating company in the United Kingdom

Results and dividends

Results and dividends are as follows

	£
Retained profit at 31 December 2005	-
Profit for the period after tax	178,811
	<hr/>
Retained profit at 31 December 2006	178,811
	<hr/>

The directors recommend the payment of a dividend of £nil (2005 £nil)

Directors and their interests

The directors all of whom have served throughout the period and up to the date of release of this report, unless otherwise stated, are shown below

H H Davies	(US citizen) appointed 3 May 2005, resigned 28 February 2007
J M Healy	(US citizen) appointed 3 May 2005, resigned 31 December 2007
J H Giesbert	(US citizen) appointed 28 February 2007
C A Braak	(US citizen) appointed 11 December 2007
K K Oberg	(US citizen) appointed 11 December 2007

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 V & A Hotel Operating Company Limited

Directors' report (continued)

Auditors


Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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



C A Braak
Director

17 April 2008

Marriott V & A Hotel Operating Company Limited

Statement of directors' responsibility

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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 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.

Independent auditors' report to the members of Marriott V & A Hotel Operating Company Limited

We have audited the financial statements of Marriott V & A Hotel Operating Company Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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, whether in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements within it.

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.


In forming our opinion we also evaluated the overall adequacy of the presentation of the financial statements. As the company was exempt from audit under section 249A of the Companies Act in the prior year we have not audited the corresponding amounts for that year.

Independent auditors' report to the members of Marriott V & A Hotel Operating Company 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche 

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 / 4 2008

Marriott V & A Hotel Operating Company Limited

Profit and loss account Year ended 31 December 2006

		2006	Unaudited 2005
	Note	£	£
Turnover	1,2	4,362,158	-
Cost of sales		(390,934)	-
Gross profit		3,971,224	-
Operating expenses		(3,699,979)	-
Operating profit		271,245	-
Interest receivable and similar income	3	22,425	-
Interest payable and similar charges	4	(15,893)	-
Profit on ordinary activities before taxation	5	277,777	-
Tax on profit on ordinary activities	6	98,966	-
Profit on ordinary activities after taxation	11	178,811	-

There are no recognised gains or losses other than the profit for the period of £178,811

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

The company's results all relate to continuing activities

Marriott V & A Hotel Operating Company Limited

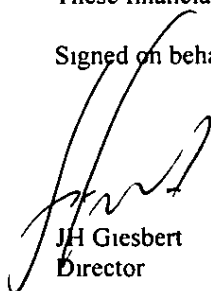
Balance Sheet 31 December 2006

	Note	2006 £	Unaudited 2005 £
Fixed assets			
Tangible assets	7	227,265	-
Current assets			
Stock	8	31,411	-
Debtors	9	1,262,707	1
Cash at bank and in hand	10	925,975	-
		2,220,093	1
Creditors: amounts falling due within one year	11	2,268,546	-
Net current liabilities		(48,453)	1
Net assets		178,812	1
Capital and reserves			
Called up equity share capital	12,13	1	1
Profit and loss account	13	178,811	-
Shareholders' funds	13	178,812	1

The accompanying notes are an integral part of this balance sheet

These financial statements were approved by the Board of Directors on 17 April 2008

Signed on behalf of the Board of Directors


JH Giesbert
Director

Marriott V & A Hotel Operating Company Limited

Notes to the accounts

Year ended 31 December 2006

1 Accounting policies

The financial statements are prepared in accordance with the applicable UK Company law and accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the period. The comparatives for the year ended 31 December 2006 are unaudited as the company was exempt from audit under section 249A of the Companies Act in the prior year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

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.

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 represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised as it is earned.

Stocks

Stocks comprise consumable inventories used in the operation of the Marriott Victoria and Albert Hotel. Stocks are stated at the lower of cost and net realisable value. Cost comprises the value of materials only. Provision is made for obsolete, slow moving or defective items where appropriate.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provision for impairment. 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
Leasehold improvements	– 10 years
Furniture, fittings and equipment	– 5 years
Computer	– 3 years

Marriott V & A Hotel Operating Company Limited

Notes to the accounts

Year ended 31 December 2006

1 Accounting policies (continued)

Leases

Assets 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. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Staff costs

Except for directors, the company did not employ any staff in the period. Hotel staff are employed by a fellow group company. The directors received no remuneration for services to the company in the period.

2. Turnover

	2006	Unaudited 2005
	£	£
Contributions to turnover were as follows		
Food and beverage revenue	1,265,038	-
Accommodation	2,634,757	-
Other	462,363	-
	<u>4,362,158</u>	<u>-</u>

3. Interest receivable and other similar income

	2006	Unaudited 2005
	£	£
Bank interest	21,070	-
Foreign exchange gain	1,355	-
	<u>22,425</u>	<u>-</u>

4 Interest payable and other similar charges

	2006	Unaudited 2005
	£	£
Bank interest	<u>15,893</u>	<u>-</u>

Marriott V & A Hotel Operating Company Limited

Notes to the accounts

Year ended 31 December 2006

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	2006 £	Unaudited 2005 £
Depreciation	15,572	-
Auditors remunerations – audit fees	30,000	-
Rent	1,077,821	-
	<u> </u>	<u> </u>

6. Tax on profit on ordinary activities

Tax charge for the period comprises

	2006 £	Unaudited 2005 £
UK corporation tax at 30%	97,563	-
Deferred tax		
Origination and reversal of timing differences credit/charges	1,403	-
	<u> </u>	<u> </u>
Total tax charge	98,966	-
	<u> </u>	<u> </u>

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

	2006 £	Unaudited 2005 £
Loss on ordinary activities before tax	277,777	-
Tax at 30%	83,333	-
Effects of		
Expenses not deductible for tax purposes	14,373	-
Capital allowances in excess of depreciation	(143)	-
	<u> </u>	<u> </u>
Current tax charge for the period	97,563	-
	<u> </u>	<u> </u>

There are no provided or unprovided deferred tax assets as at 31 December 2006 (2005 £nil)

Marriott V & A Hotel Operating Company Limited

Notes to the accounts Year ended 31 December 2006

7. Tangible fixed assets

	Lease £'000	Construction in progress £'000	Furniture, fittings and equipment £'000	Total £'000
1 January 2006	-	-	-	-
Acquisitions	156,376	-	-	156,376
Additions	-	25,665	60,796	86,461
At 31 December 2006	156,376	25,665	60,796	242,837
At 1 January 2006	-	-	-	-
Charge for the year	(4,201)	-	(11,371)	(15,572)
At 31 December 2006	(4,201)	-	(11,371)	(15,572)
At 31 December 2006	152,175	25,665	49,425	227,265
At 1 January 2006	-	-	-	-

8. Stock

	2006 £	Unaudited 2005 £
Consumable inventories	31,411	-

There is no material difference between the balance sheet value of stock and its replacement value

9. Debtors: amounts falling due within one year

Amounts falling due within one year	2006 £	Unaudited 2005 £
-amounts due to group undertakings	58,836	1
-trade debtors	826,746	-
-prepayments	377,125	-
	1,262,707	1

10. Bank at bank and in hand

Cash at bank and in hand includes an amount of £797,489 (2005 - £0) which can only be utilised for maintenance work to the hotel under the terms of the lease agreement

Marriott V & A Hotel Operating Company Limited

Notes to the accounts

Year ended 31 December 2006

11. Creditors: amounts falling due within one year

Amounts falling due within one year	2006 £	Unaudited 2005 £
-amounts due to group undertakings	781,840	-
-accruals	740,920	-
-other creditors	588,514	-
-VAT and other taxes	155,869	-
-deferred tax liability	1,403	-
	<u>2,268,546</u>	<u>-</u>

12. Called up share capital

	2006 £	Unaudited 2005 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
	2006 £	Unaudited 2005 £
Allotted, called-up and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

13. Reconciliation of movement in shareholders' funds

	2006 £	Unaudited 2005 £
Beginning of year	1	-
Profit for the year	<u>178,811</u>	<u>1</u>
End of year	<u>178,812</u>	<u>1</u>

14. Leasehold commitments

The company took over an existing 50 year operating lease agreement for the hotel property, which originally commenced on 7 April 2004, but both Landlord and Tenant can terminate the Lease at 30 and 40 years. The rent is based on a percentage of operating profit but is subject to a minimum guarantee of a 6.25% return on investment to the landlord referred to as Base Rent. If there is insufficient operating profit for the Landlord to achieve its "guaranteed" 6.25% return, then the Tenant will pay additional rent ("Top up rent") to make up that shortfall, subject to limitations. The base rent in 2006 is £1,077,821 and this amount increases as the landlord makes additional investments in the property.

Marriott V & A Hotel Operating Company Limited

Notes to the accounts

Year ended 31 December 2006

15. Related party transactions

As a wholly owned 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

16. Ultimate parent company and ultimate controlling party

The company is a direct subsidiary of Marriott UK Group Company Limited, incorporated in Great Britain and registered in England and Wales. The ultimate holding company and controlling party is Marriott International Inc, incorporated in State of Delaware, USA.

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

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