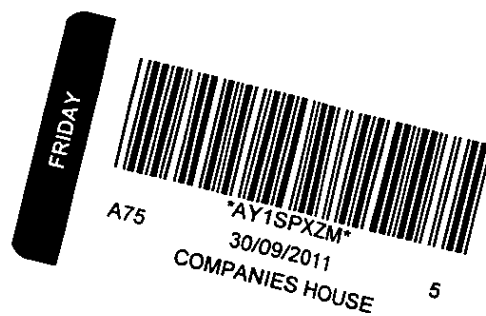


Company number 5441702

# **Marriott V & A Hotel Operating Company Limited**

## **Directors' report and financial statements**

31 December 2010



# **Marriott V & A Hotel Operating Company Limited**

## **Directors' report and financial statements 31 December 2010**

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# **Marriott V & A Hotel Operating Company Limited**

## **Directors' report and financial statements 31 December 2010**

### **Officers and professional advisors**

#### **Directors**

P A Simmons  
B R Price

#### **Company secretary**

Citco Management (UK) Limited  
7 Albemarle Street  
London  
W1S 4HQ

#### **Registered office**

7 Albemarle Street  
London  
W1S 4HQ

#### **Bankers**

Natwest  
1 Princess Street  
London  
EC2R 8BP

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
10 Bricket Road  
St Albans  
Herts  
AL1 3JX

# **Marriott V & A Hotel Operating Company Limited**

## **Directors' report**

The directors' present their annual report and the audited financial statements of the company for the year ended 31 December 2010

### **Principal activities**

The principal activities of the company are those of hoteliers and caterers

### **Results and dividends**

The loss for the financial year was £284,080 (2009 £16,662) The directors do not recommend the payment of a dividend (2009 nil)

### **Business review and future prospects and key performance indicators**

A very healthy total turnover performance to budget for 2010 saw the hotel £171k ahead of last year and a fantastic £237k ahead of budget

Whilst achieving great turnover success, the hotel also maintained a focused cost management programme, achieving as a result, a fantastic flow-through of 104%, putting it in a select group of just 4 provincial UK Marriott hotels to post a flow through of greater than 100% Year end house profit for the Marriott Victoria and Albert Hotel exceeded last year by £237k and budget by £246k

Despite the downturn in the economy, a stable year in the city of Manchester with respect to new supply in the four star sector has supported the hotel in maintaining its long term plan of first driving occupancy and then pushing rate Two and a half years into this plan saw the hotel begin to push rate, both against our own prior year strategy and against the market competitors The results of this are demonstrated in the hotel's continued out-performance in revenue per available room (REVPAR) market share, showing a "best in class" growth in premium of 3.6% year on year and 8.1% over two years The Hotel finished 2010 with a very respectable index of 106.7

Significant to this year's rooms performance has been our shift in focus from group base to a more balanced mix, incorporating higher rated special company agreements and a more focused approach around key event dates

### **Directors**

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

C A Braak	resigned 12 February 2010
P A Simmons	
B R Price	appointed 12 February 2010

### **Principal risks and uncertainties**

The principal activities of the company are those of hoteliers and caterers Within the management agreements the hotel has performance measures that have to be met whilst being operated as a Marriott Failure to achieve these targets can result in termination of the contract Whilst it is not anticipated that these measures would not be achieved in the normal course of trade, in extraordinary economic/social circumstances hotel performances can be significantly impacted Such occurrences historically have been the threat of terrorism or war

# **Marriott V & A Hotel Operating Company Limited**

## **Directors' report (continued)**

### **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 rate cash flow risk, currency risk, credit risk, liquidity 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 principal financial risk the directors consider relevant to this company is credit risk, which is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debtors. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' 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). 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.

# **Marriott V & A Hotel Operating Company Limited**

## **Directors' report (continued)**

### **Disclosure of information to auditors**

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

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he/she 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

Approved by the board of directors and signed on behalf of the board

P A Simmons  
Director



5/8/2011

# **Marriott V & A Hotel Operating Company Limited**

## **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 2010 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities (set out on page 3) the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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 Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Marriott V & A Hotel Operating Company Limited**

### **Independent auditors' report to the members of Marriott V & A Hotel Operating Company Limited (continued)**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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

Alison Cashmore (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

5 AUGUST 2011

# Marriott V & A Hotel Operating Company Limited

## Profit and loss account for the year ended 31 December 2010

		2010 £	2009 £
<b>Turnover</b>	Note 2	5,506,390	5,335,022
Cost of sales		(466,385)	(464,613)
<b>Gross profit</b>		<b>5,040,005</b>	<b>4,870,409</b>
Administrative expenses		(5,280,383)	(4,840,332)
<b>Operating (loss)/profit</b>		<b>(240,378)</b>	<b>30,077</b>
Interest receivable and similar income	3	-	14,845
Interest payable and similar charges	4	(39,769)	(49,261)
<b>Loss on ordinary activities before taxation</b>	7	<b>(280,147)</b>	<b>(4,339)</b>
Tax on loss on ordinary activities	8	(3,933)	(12,323)
<b>Loss for the financial year</b>	17	<b>(284,080)</b>	<b>(16,662)</b>

The company's results all relate to continuing operations

There are no recognised gains or losses in either year other than the loss for that financial year therefore no separate statement of total recognised gains and loss and has been presented

# Marriott V & A Hotel Operating Company Limited

## Balance Sheet as at 31 December 2010

	Note	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	9	524,424	506,062
<b>Current assets</b>			
Stock	10	34,162	29,658
Debtors	11	614,767	639,985
Cash at bank and in hand	12	2,092,747	1,834,158
		2,741,676	2,503,801
<b>Creditors amounts falling due within one year</b>	13	(1,347,196)	(1,535,812)
<b>Net current assets</b>		1,394,480	967,989
<b>Total assets less current liabilities</b>		1,918,904	1,474,051
<b>Creditors amounts falling due after more than one year</b>	14	(2,647,433)	(1,922,433)
Provisions for liabilities	15	(16,967)	(13,034)
<b>Net liabilities</b>		(745,496)	(461,416)
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Profit and loss account	17	(745,497)	(461,417)
<b>Total shareholders' deficit</b>	17	(745,496)	(461,416)

These financial statements on pages 7 to 16 were approved by the board of directors on 5<sup>th</sup> August 2011 and were signed on its behalf by



P A Simmons  
Director

Marriott V & A Hotel Operating Company Limited  
Company number 5441702

# **Marriott V & A Hotel Operating Company Limited**

## **Notes to the financial statements for the year ended 31 December 2010**

### **1 Accounting policies**

#### **Basis of Accounting**

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

#### **Cash flow statement**

The company is exempt from the requirements of FRS 1 'Cash flow statement' (revised 1996) to include a cash flow statement as part of its financial statements because it is wholly owned subsidiary of Marriott International Inc. in whose financial statements the company is consolidated. The consolidated financial statements of Marriott International Inc. are publicly available.

#### **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.

#### **Pension costs**

The company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The company's contributions are charged to the profit and loss account in the period to which the contributions relate. Differences between contributions payable in the year and contributions actually paid are shown on either accruals or prepayments in the balance sheet.

The pension charge for the year represents contributions payable by the Company to the schemes and amounted to £9,952 (2008: £11,771). There were no outstanding or prepaid contributions at the beginning or end of the financial year.

#### **Stock**

Stock comprises of consumable inventories used in the operation of the Marriott V & A Hotel. Stock is 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.

#### **Tangible fixed assets**

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any provision for impairment. Cost includes the purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

# Marriott V & A Hotel Operating Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 1 Accounting policies (continued)

#### Tangible fixed assets (continued)

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

Long leasehold property	~ term of the lease
Leasehold improvements	~ remaining life of the lease
Fixtures, fittings and equipment	~ 5 years
Computers	~ 3 years

#### Turnover

Turnover, which excludes value added tax and sales between group companies, represents the invoiced value of income earned from the letting of rooms, sales of food, beverages and service charges, and for technical, management and marketing services supplied. Turnover is recognised once the performance of the service has been concluded or goods have been delivered.

#### Deferred Income

Deferred income relates to deposits for future events which is recognised when the event occurs.

#### Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shortest period is used.

#### Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

### 2 Turnover

	2010 £	2009 £
Turnover comprises of		
Food and beverage revenue	1,634,811	1,585,262
Accommodation	3,379,939	3,268,407
Other	491,640	481,353
	<u>5,506,390</u>	<u>5,335,022</u>

All turnover relates to operations performed in the UK.

# Marriott V & A Hotel Operating Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 3 Interest receivable and similar income

	2010 £	2009 £
Bank interest	-	5,272
Foreign exchange gain	-	9,573
	<u>-</u>	<u>14,845</u>

### 4 Interest payable and similar charges

	2010 £	2009 £
Intercompany interest charge	<u>39,769</u>	<u>49,261</u>

### 5. Directors' remuneration

The directors received no remuneration in respect of their services to the company in the current year (2009 £nil). The charges for the directors' remuneration have been borne by another group undertaking, Marriott Hotels International Limited

### 6 Staff costs

All employees are employed by Marriott Hotels Limited and the payroll costs are recharged to the company

The average monthly number of persons (including executive directors) employed by the group during the year were

By activity,	2010 £	2009 £
Management	8	10
Administration	106	104
	<u>114</u>	<u>114</u>

Their aggregate remuneration comprised

	2010 £	2009 £
Wages and salaries	1,379,464	1,414,569
Social security costs	99,835	111,509
Other pension costs	9,952	11,772
	<u>1,489,251</u>	<u>1,537,850</u>

# Marriott V & A Hotel Operating Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 7 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2010 £	2009 £
Depreciation - tangible owned fixed assets (note 9)	61,593	44,842
Operating leases - other	1,451,829	1,025,146
Amount paid to auditors		
- audit fees	15,000	15,000
- other services related to taxation	9,150	7,460
- other services pursuant to legislation	18,103	5,000
	<hr/>	<hr/>

### 8. Tax on loss on ordinary activities

	2010 £	2009 £
Tax (credit)/charge for the year comprises		
UK corporation tax	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	4,328	12,323
Changes in tax rates or laws	(395)	
	<hr/>	<hr/>
<b>Tax on loss on ordinary activities</b>	<b>3,933</b>	<b>12,323</b>

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax 28% (2009 28%) to the profit before tax is as follows

	2010 £	2009 £
<b>Loss on ordinary activities before taxation</b>	<b>• (280,147)</b>	<b>(4,339)</b>
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate in the United Kingdom 28% (2009 28%)	(78,441)	(1,215)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	6,760	10,709
Accelerated capital allowances	(6,663)	(10,251)
Other timing differences	127	(639)
Group relief surrendered not paid	78,217	1,396
Adjustments in respect of prior periods		-
	<hr/>	<hr/>
Current tax	-	-

# Marriott V & A Hotel Operating Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 8 Tax on loss on ordinary activities (continued)

During the year, as a result of the change in the UK main corporate tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured

A number of changes to the UK Corporation tax system were announced in March 2011 Budget Statement. The budget announced a decrease in the main rate of corporation tax from 27% to 26% from 1 April 2011. A further reduction in the main rate of corporation tax to 25% from 1 April 2012 previously announced in the Budget on 23 March 2011 was substantively enacted on 5 July 2011 following the third reading of the Finance Bill (No. 3) 2010-11 in the House of Commons. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

### 9 Tangible fixed assets

	Assets under construction £	Long leasehold property £	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>					
At 1 January 2010	-	156,376	323,725	193,527	673,628
Additions	42,445	-	1,940	35,570	79,955
<b>At 31 December 2010</b>	<b>42,445</b>	<b>156,376</b>	<b>325,665</b>	<b>229,097</b>	<b>753,583</b>
<b>Accumulated depreciation</b>					
At 1 January 2010	-	(21,006)	(55,046)	(91,514)	(167,566)
Charge for the year	-	(5,601)	(25,560)	(30,432)	(61,593)
<b>At 31 December 2010</b>	<b>-</b>	<b>(26,607)</b>	<b>(80,606)</b>	<b>(121,946)</b>	<b>(229,159)</b>
<b>Net book value</b>					
At 31 December 2010	42,445	129,769	245,059	107,151	524,424
At 31 December 2009	-	135,370	268,679	102,013	506,062

### 10. Stock

	2010 £	2009 £
Consumables	34,162	29,658

### 11 Debtors

	2010 £	2009 £
Trade debtors	210,626	265,316
Corporation tax	15,518	-
Other debtors	6,864	4,826
Prepayments	381,759	369,843
	<b>614,767</b>	<b>639,985</b>

# Marriott V & A Hotel Operating Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 12 Cash at bank and in hand

Cash at bank and in hand includes an amount of £1,685,951 (2009 - £1,387,845) which can only be utilised for capital expenditure at the hotel under the terms of the lease agreement

### 13 Creditors amounts falling due within one year

	2010 £	2009 £
Trade creditors	484,357	229,353
Amounts owed to a fellow group undertaking	346,208	273,821
Other taxes	97,244	75,698
Other creditors	1,054	2,485
Accruals	383,336	923,041
Deferred income	34,997	31,414
	<u>1,347,196</u>	<u>1,535,812</u>

Amount owed to fellow group undertakings are unsecured, interest free and repayable on demand

Accruals include incentive fee's payable under the landlord rent agreement of £160,289 (2009 £597,446)

### 14 Creditors amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to a fellow group undertaking	<u>2,647,433</u>	<u>1,922,433</u>

The company has a loan facility of up to £4,000,000 of which they have utilised £2,647,433 at the year end date with International Hotel Licensing Company S a r l, a fellow group undertaking, which is due and payable on 13 July 2017 Interest is charged at a rate of LIBOR + 1 25 per annum No payments have been performed against the loan and none is forecast to arise in the 12 months post the balance sheet date

### 15 Provisions for liabilities

Deferred tax is provided as follows

	£
At 1 January 2010	13,034
Charge to profit and loss account	<u>3,933</u>
<b>At 31 December 2010</b>	<u><b>16,967</b></u>

# Marriott V & A Hotel Operating Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 15 Provisions for liabilities (continued)

	2010 Provided £	2009 Provided £
Accelerated capital allowances	18,812	14,819
Short term timing difference	(1,845)	(1,785)
Deferred tax asset	<u>16,967</u>	<u>13,034</u>

The directors are of the opinion that the financial effect of these future rate reductions on the company's deferred tax asset will not be significant

### 16 Called up share capital

	2010 £	2009 £
Authorised, allotted, called-up and fully paid 1 ordinary shares of £1	<u>1</u>	<u>1</u>

### 17 Reconciliation of movements in shareholders' deficit and movement in reserves

	Share capital	Profit and loss account	Total shareholders' deficit
	£	£	£
At 1 January 2010	1	(461,417)	(461,416)
Loss for financial year	-	(284,080)	(284,080)
At 31 December 2010	<u>1</u>	<u>(745,497)</u>	<u>(745,496)</u>

### 18. Operating lease 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 is required to pay additional rent ("Top up rent") to make up that shortfall, subject to limitations. The base rent in 2010 is £1,451,825 (2009 £1,025,146). This amount may increase as the landlord makes additional investments in the property.

## **Marriott V & A Hotel Operating Company Limited**

### **Notes to the financial statements for the year ended 31 December 2010 (continued)**

#### **19 Related party transactions**

As a wholly owned subsidiary of Marriott International Inc , the company has taken advantage of the exemption in FRS 8 'Related party disclosures' not to disclose transactions with other wholly owned members of the group headed by Marriott International Inc

#### **20 Ultimate parent company and ultimate controlling party**

The company is a direct subsidiary of Marriott UK Group Company Limited, incorporated in England and Wales. The ultimate parent company and controlling party is Marriott International Inc , incorporated in the 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 financial statements of Marriott International Inc are available to the public and may be obtained from Marriott International Inc, 1 Marriott Drive, Washington DC 20058, USA