

Company registration number 05441702

Marriott V & A Hotel Operating Company Limited

Report and financial statements

31 December 2011

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Marriott V & A Hotel Operating Company Limited

Report and financial statements 31 December 2011

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Marriott V & A Hotel Operating Company Limited

Report and financial statements 31 December 2011

Officers and professional advisers

Directors

BR Price
D Murray

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 2011

Principal activities

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

Results and dividends

The loss for the financial year was £68,878 (2010 £284,080) The directors do not recommend the payment of a dividend (2010 £ nil)

Business review, future prospects and key performance indicators

While turnover of £5,578k saw a modest increase of 1.3% on last year's £5,506k, well managed cost contingencies saw the loss for the financial year improve from £284k in 2010 to £69k in 2011

A strong room's performance saw revenue per available room (REVPAR) increase by 3.2% to £65.82, through focus on average daily rate (up £0.48) and occupancy up 2.6% in line with the hotel's business strategy. The continued expansion of standalone food and beverage establishments in the nearby Spinningfields area of the City adversely affected spend in the outlets and a quiet year in the banqueting sector showed in a 10% drop in this department's revenue.

Despite a continued downturn in the general economy, there was little change in the city of Manchester with respect to new supply in the four star sector which has supported the hotel in maintaining its long term plan of driving rate whilst maintaining occupancy. Three and a half years into this plan, the hotel has pushed rate against 2010. The results of this are demonstrated in the hotel's continued performance in REVPAR and market share. The Hotel finished 2011 with a very respectable market share index of 109.4.

The strategy for 2012 will see further occupancy growth as we aim to identify key drivers for otherwise tough periods. The rate itself will be amongst our toughest challenges next year taking into account that the hotel's two most significant room producing clients have their rate agreements in place for the coming year, both of which have no increase over 2011, in order to secure their business for 2012.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

PA Simmons	resigned 31 December 2011
BR Price	
D Murray	appointed 02 September 2011

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.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Marriott International Inc. The directors have received confirmation that Marriott International Inc. intends to support the company for at least one year after these financial statements are signed.

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 in respect of the Annual Report and the financial statements

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 prepared 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

D Murray
Director
28 May 2012



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 2011 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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
28 May 2012

Marriott V & A Hotel Operating Company Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	5,578,075	5,506,390
Cost of sales		(490,188)	(466,385)
Gross profit		<u>5,087,887</u>	<u>5,040,005</u>
Administrative expenses		(5,116,508)	(5,280,383)
Operating loss		<u>(28,621)</u>	<u>(240,378)</u>
Interest payable and similar charges	3	(62,324)	(39,769)
Loss on ordinary activities before taxation	6	<u>(90,945)</u>	<u>(280,147)</u>
Tax on loss on ordinary activities	7	22,067	(3,933)
Loss for the financial year	15	<u><u>(68,878)</u></u>	<u><u>(284,080)</u></u>

The company's results all relate to continuing operations

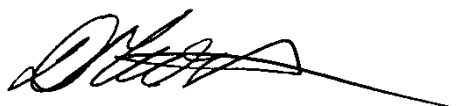
There are no recognised gains or losses other than the loss for the year therefore no separate statement of total recognised gains and losses has been presented

Marriott V & A Hotel Operating Company Limited

Balance sheet as at 31 December 2011

	Note	2011 £	2010 £
Fixed Assets			
Tangible assets	8	767,013	524,424
Current Assets			
Stock	9	31,861	34,162
Debtors	10	702,807	614,767
Cash at bank and in hand	11	2,917,093	2,092,747
		<u>3,651,761</u>	<u>2,741,676</u>
Creditors: amounts falling due within one year	12	(1,577,815)	(1,364,163)
Net current assets		<u>2,073,946</u>	<u>1,377,513</u>
Total assets less current liabilities		<u>2,840,959</u>	<u>1,901,937</u>
Creditors. amounts falling due after more than one year	13	(3,655,333)	(2,647,433)
Net liabilities		<u>(814,374)</u>	<u>(745,496)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(814,375)	(745,497)
Total shareholders' deficit	15	<u>(814,374)</u>	<u>(745,496)</u>

These financial statements on pages 7 to 17 were approved by the board of directors on 28 May 2012 and signed on its behalf by



D Murray
Director
Marriott V & A Hotel Operating Company Limited
Company Registration Number 05441702

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis 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

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Marriott International Inc. The directors have received confirmation that Marriott International Inc intends to support the company for at least one year after these financial statements are signed

Cash flow statement

The company is exempt from the requirement of FRS 1 'Cash flow statements (revised 1996)' 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. 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 scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as 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 £12,580 (2010: £9,952). There were no outstanding or prepaid contributions at the beginning or end of the financial year

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1. Accounting policies (continued)

Tangible fixed assets

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

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

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.

Stock

Stock comprises of consumable inventories and operating supplies used in the operation of the Grosvenor House 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.

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Turnover

	2011	2010
	£	£
Turnover comprises of		
Food and beverage revenue	1,569,096	1,634,811
Accommodation	3,555,767	3,379,939
Other	453,212	491,640
	<u>5,578,075</u>	<u>5,506,390</u>

All turnover relates to operations performed in the UK

3 Interest payable and similar charges

	2011	2010
	£	£
Intercompany interest charge	<u>62,324</u>	<u>39,769</u>

4 Directors' remuneration

The directors received no remuneration in respect of their services to the company in the current year (2010 £nil). The charges for the directors' remuneration have been borne by another group undertaking, Marriott Hotels International Limited

5 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	2011 Number	2010 Number
Management	10	8
Administration	<u>87</u>	<u>106</u>
	<u>97</u>	<u>114</u>
Their aggregate remuneration comprised		
Wages and salaries	1,314,669	1,379,464
Social security costs	88,340	99,835
Other pension costs	<u>12,580</u>	<u>9,952</u>
	<u>1,415,589</u>	<u>1,489,251</u>

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6	Loss on ordinary activities before taxation	2011	2010
		£	£
	Loss on ordinary activities before taxation is stated after charging		
	Depreciation of tangible fixed assets owned (note 8)	116,506	61,593
	Operating lease - property	1,461,041	1,451,829
	Services provided by the company's auditor		
	- fees payable for the audit	15,450	15,000
	- fees payable for other services p tax compliance	3,650	9,150
	- Other services pursuant to legislation	<u>4,580</u>	<u>18,103</u>

7. Tax on loss on ordinary activities

Tax (credit)/charge for the year comprises

	2011	2010
	£	£
UK corporation tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(20,903)	4,328
Changes in tax rates or laws	<u>(1,164)</u>	<u>(395)</u>
Tax on loss on ordinary activities	<u>(22,067)</u>	<u>3,933</u>

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax 26.5% (2010 28%) to the profit is as follows,

	2011	2010
	£	£
Loss on ordinary activities before taxation	<u>(90,945)</u>	<u>(280,147)</u>
Loss on ordinary activities multiplied by the standard rate in the United Kingdom 26.5% (2010 28%)	(24,100)	(78,441)
Effects of:		
Expenses not deductible for tax purposes	3,259	6,760
Accelerated capital allowances	20,880	(6,663)
Other timing difference	(39)	127
Group relief surrender not paid	<u>-</u>	<u>78,217</u>
Current tax	<u>-</u>	<u>-</u>

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

7. Tax on loss on ordinary activities (continued)

	2011 Provided £	2010 Provided £
Accelerated capital allowances	(3,429)	18,812
Short term timing differences	(1,671)	(1,845)
Deferred tax (asset)/liability	<u>(5,100)</u>	<u>16,967</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

During the year, as a result of the changes in the UK main corporate tax rate from 27% to 26% and from 26% to 25% that were substantively enacted on 29 March 2011 and 5 July 2011 respectively, and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 22% from 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

8. Tangible fixed assets

	Asset under construction £	Leasehold property £	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost					
At 1 January 2011	42,445	156,376	325,665	229,097	753,583
Additions	-	-	136,304	222,791	359,095
Transfers	(42,445)	-	1,770	40,675	-
At 31 December 2011	-	156,376	463,739	492,563	1,112,678
Accumulated Depreciation					
At 1 January 2011	-	(26,607)	(80,606)	(121,946)	(229,159)
Charge for the year	-	(5,602)	(46,277)	(64,627)	(116,506)
At 31 December 2011	-	(32,209)	(126,883)	(186,573)	(345,665)
Net Book Value					
At 31 December 2011	-	124,167	336,856	305,990	767,013
At 31 December 2010	42,445	129,769	245,059	107,151	524,424

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9. Stock

	2011	2010
	£	£
Consumables	31,861	34,162

10 Debtors

	2011	2010
	£	£
Trade debtors	274,205	210,626
Amounts owed by group undertakings	2	-
Corporation tax	15,518	15,518
Other debtors	19,579	6,864
Prepayments	388,403	381,759
Deferred tax asset	5,100	-
	<u>702,807</u>	<u>614,767</u>

The amounts owed by parent and other group undertakings are unsecured interest free and repayable on demand

11. Cash at bank and in hand

Cash at bank and in hand includes an amount of £1,621,433 (2010 £1,685,951) which can only be utilised for capital expenditure at the hotel under the terms of the lease agreement

12 Creditors amounts falling due within one year

	2011	2010
	£	£
Trade creditors	666,104	484,357
Amounts owed to group undertakings	408,535	346,208
Other taxes	111,879	97,244
Other creditors	930	1,054
Accruals	350,242	383,336
Deferred income	40,125	34,997
Deferred tax liability	-	16,967
	<u>1,577,815</u>	<u>1,364,163</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 £177,967 (2010 £160,289)

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Creditors amounts falling due after more than one year

	2011	2010
	£	£
Amount owed to fellow group undertakings	3,655,333	2,647,433

The company has a loan facility of up to £4,000,000 of which they have utilised £3,655,333 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.

14 Called up share capital

	2011	2010
	£	£
Authorised, allotted and fully paid		
1 (2010: 1) ordinary share of £1	1	1

15. Reconciliation of movements in shareholders' deficit and movements in reserves

	Share capital	Profit and loss account	Total shareholders' deficit
		£	£
At 1 January 2011	1	(745,497)	(745,496)
Loss for financial year	-	(68,878)	(68,878)
At 31 December 2011	1	(814,375)	(814,374)

16. Leasing 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 2011 is £1,461,041 (2010: £1,451,829). 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 2011 (continued)

17. Related party transactions

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

18. Ultimate parent company and ultimate controlling party

The company's immediate parent is Marriott UK Group Company Limited, incorporated in the United Kingdom. The company's 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