Company registration number 05441702

Marriott V & A Hotel Operating Company Limited

Report and financial statements

31 December 2012

Marriott V & A Hotel Operating Company Limited

Report and financial statements 31 December 2012

Contents

Marriott V & A Hotel Operating Company Limited

Report and financial statements 31 December 2012

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 2012

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

Results and dividends
The loss for the financial year was £622,879 (2011 £68,878) The directors do not recommend the payment of a dividend (2011 £ nil)

Business review, future prospects and key performance indicators
While turnover of £5,598k saw a modest increase of 0 4% on last year's £5,578k, due to the acceleration of the tangible fixed assets depreciation this year the loss before taxation increased by £660k

A year's performance saw revenue per available room (RevPAR) decrease by 0 9% to £65 22 The stronger performance on the average daily rate of £1 14 or 1 3% better than the prior year was diluted by a weaker performance in total occupancy, 74 9% in 2012 compared to 76 7% a year earlier The combined impact saw an overall decrease in the RevPAR index by 3 7% to 105 2 which still represents a better than market share performance The continued expansion of standalone food and beverage establishments in the nearby Spinningfields area of the City of Manchester has challenged the performance of the Food & Beverage operations

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 enabled the hotel to continue its long term plan of driving rate whilst maintaining occupancy The hotel did benefit in 2012 by £62k in sales, from securing some of the business associated with Manchester hosting the football events in the 2012 Summer Olympics This will remain the strategy, even with the hotel converting to a franchise property

In 2013, the hotel will convert to a franchised property and the strategy will be to overall maintain our market position in an ever increasingly competitive market It is planned to do this driving room sales in the group segment thus allowing great yielding possibilities from other segments This will be supported by plans to refurbish the bedrooms and upgrade the air conditioning facilities in the meeting rooms in order to support our relationships with our key corporate clients who originate, in the main, from the nearby business district of Spinningfields In order to support the Food & Beverage business it is planned to become more active in the social catering market with aggressive targets for increases in the number of weddings and other social occasions

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

BR Price
D Murray

Principal risks and uncertainties
The principal activities of the company during the year was that of hoteliers and caterers The hotel's lease agreement will be terminated at 31 May 2013, and the directors intend to wind up the company within 12 months from signing the financial statements

Marriott V & A Hotel Operating Company Limited

Directors' report (continued)

Going concern

The directors have the intent to wind-up the company within 12 months from the signing of the financial statements The directors have therefore not prepared these financial statements under the going concern assumption and the break-up basis of accounting has been applied

The intent to wind-up the company is due to the termination of the hotel's lease agreement on 31 May 2013 From 1 June 2013, the hotel will operate under a franchise agreement

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 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,

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 2/5/13
Director

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 2012 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 Directors' report and financial statements 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 2012 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 requirements of 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

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

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements, concerning the going concern basis of accounting Following the year end, the directors have decided that the company will cease trading during the next financial year Accordingly, the going concern basis of accounting is no longer appropriate Adjustments have been made in these financial statements to reduce assets to their realisable values and to provide for liabilities arising from the decision and to reclassify fixed assets and long term liabilities as current assets and liabilities

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

Marriott V & A Hotel Operating Company Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	5,597,807	5,578,075
Cost of sales		(478,055)	(490,188)
Gross profit		5,119,752	5,087,887
Administrative expenses		(5,771,510)	(5,116,508)
Operating loss		(651,758)	(28,621)
Interest payable and similar charges	3	(99,589)	(62,324)
Loss on ordinary activities before taxation	6	(751,347)	(90,945)
Tax on loss on ordinary activities	7	128,468	22,067
Loss for the financial year	15	(622,879)	(68,878)

All of the activities of the company are classed as discontinuing as the directors have the intent to wind up the company within 12 months from the signing of the financial statements

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

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical costs equivalents

Marriott V & A Hotel Operating Company Limited

Balance sheet as at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	8	-	767,013
Current assets			
Tangible assets	8	89,628	-
Stock	9	34,418	31,861
Debtors	10	754,331	702,807
Cash at bank and in hand	11	2,456,728	2,917,093
		3,335,105	3,651,761
Creditors. amounts falling due within one year	12	(4,772,358)	(1,577,815)
Net current assets		(1,437,253)	2,073,946
Total assets less current liabilities		(1,437,253)	2,840,959
Creditors: amounts falling due after more than one year	13	-	(3,655,333)
Net liabilities		**(1,437,253)**	**(814,374)**
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(1,437,254)	(814,375)
Total shareholders' deficit	15	**(1,437,253)**	**(814,374)**

These financial statements on pages 7 to 16 were approved by the board of directors on 2/5/13 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 2012

1. Accounting policies

Basis of preparation

It is the current intention of the Directors to cease activities and wind up the Company within the next 12 months from the signing of the balance sheet date As a result, they do not consider it appropriate to prepare the financial statements on a going concern basis Consequently, the Directors have prepared the financial statements on the break-up basis of accounting Under the break-up basis of accounting, assets are stated at their net realisable value and liabilities are stated at their settlement value The Directors have reviewed the financial statements and concluded that,

- Tangible fixed assets were further depreciated by £761,163, to represent the remaining use of the assets over the life of the lease
- Fixed assets were re-classified to current assets

No further adjustments have been necessary to the financial statements to record assets at their realisable values, and no further liabilities have arisen from the above decision

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

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2012 (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 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 relate to deposits for future events which is recognised when the event occurs up until the end of the lease of 31 May 2013

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 comprise of consumable inventories and operating supplies used in the operation of the 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

Notes to the financial statements for the year ended 31 December 2012 (continued)

2. Turnover

	2012	2011
	£	£
Turnover comprises of		
Food and beverage revenue	1,554,020	1,569,096
Accommodation	3,532,777	3,555,767
Other	511,010	453,212
	5,597,807	5,578,075

All turnover relates to operations performed in the UK

3. Interest payable and similar charges

	2012	2011
	£	£
Intercompany interest charge	99,589	62,324

4. Directors' remuneration

The directors received no remuneration in respect of their services to the company in the current year (2011 £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	2012	2011
	Number	Number
Management	10	10
Administration	89	87
	99	97
Their aggregate remuneration comprised		
Wages and salaries	1,382,162	1,314,669
Social security costs	94,032	88,340
Other pension costs	22,344	12,580
	1,498,538	1,415,589

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6	Loss on ordinary activities before taxation	2012 £	2011 £
	Loss on ordinary activities before taxation is stated after charging		
	Depreciation of tangible fixed assets owned (note 8)	909,387	116,506
	Operating lease - property	1,000,902	1,461,041
	Services provided by the company's auditor		
	- fees payable for the audit	16,000	15,450
	- fees payable for other services tax compliance	4,095	3,650
	- Other services pursuant to legislation	5,196	4,580

7. Tax on loss on ordinary activities

Tax (credit)/charge for the year comprises

	2012 £	2011 £
UK corporation tax	-	-
Deferred tax.		
Origination and reversal of timing differences	(159,161)	(20,903)
Adjustment in respect to prior periods	22,537	-
Changes in tax rates or laws	8,156	(1,164)
Tax on loss on ordinary activities	(128,468)	(22,067)

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax 24 5% (2011 26 5%) to the profit is as follows,

	2012 £	2011 £
Loss on ordinary activities before taxation	(751,347)	(90,945)
Loss on ordinary activities multiplied by the standard rate in the United Kingdom 24 5% (2011 26 5%)	(184,080)	(24,100)
Effects of:		
Expenses not deductible for tax purposes	37,040	3,259
Accelerated capital allowances	159,161	20,880
Other timing difference	206	(39)
Group relief surrender not paid	(12,327)	-
Current tax	-	-

Notes to the financial statements for the year ended 31 December 2012 (continued)

7. Tax on loss on ordinary activities (continued)

	2012 Provided £	2011 Provided £
Accelerated capital allowances	(131,836)	(3,429)
Short term timing differences	(1,732)	(1,671)
Deferred tax asset	(133,568)	(5,100)

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

In addition to the changes in rates of Corporation tax disclosed within the note on taxation, a number of further changes to the UK Corporation tax system have been announced Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 Further reductions to the main rate were announced in the Autumn statement 2012 to reduce the rate to 21% from 1 April 2014, and in the Budget statement 2013 to reduce the rate to 20% from 1 April 2015 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 2012	-	156,376	463,739	492,563	1,112,678
Additions	21,676	-	130,105	80,221	232,002
At 31 December 2012	**21,676**	**156,376**	**593,844**	**572,784**	**1,344,680**
Accumulated Depreciation					
At 1 January 2012	-	(32,209)	(126,883)	(186,573)	(345,665)
Charge for the year	-	(5,602)	(49,268)	(93,354)	(148,224)
Accelerated depreciation	-	(116,231)	(392,526)	(252,406)	(761,163)
At 31 December 2012	**-**	**(154,042)**	**(568,677)**	**(532,333)**	**(1,255,052)**
Net Book Value					
At 31 December 2012	**21,676**	**2,334**	**25,167**	**40,451**	**89,628**
At 31 December 2011	-	124,167	336,856	305,990	767,013

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. Stock

	2012	2011
	£	£
Consumables	34,418	31,861

10. Debtors

	2012	2011
	£	£
Trade debtors	275,218	274,205
Amounts owed by group undertakings	1	2
Corporation tax	-	15,518
Other debtors	-	19,579
Prepayments	345,545	388,403
Deferred tax asset	133,567	5,100
	754,331	702,807

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 £1,810,182 (2011 £1,621,433) which can only be utilised for capital expenditure at the hotel under the terms of the lease agreement The £1,810,182 will be returned to the parent company on cessation of the lease on 31 May 2013

12. Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	129,024	666,104
Amounts owed to group undertakings	4,217,951	408,535
Other taxes	124,632	111,879
Other creditors	7,325	930
Accruals	259,832	350,242
Deferred income	33,593	40,125
	4,772,358	1,577,815

Amount owed to fellow group undertakings are unsecured, interest free and repayable on demand except for the loan of £3,940,073 with International Hotel Licensing Company S a r l, a fellow group undertaking The loan interest is charged at a rate of LIBOR + 1 25 per annum

Accruals include incentive fee's payable under the landlord rent agreement of £187,525 (2011 £177,967)

Notes to the financial statements for the year ended 31 December 2012 (continued)

13. Creditors: amounts falling due after more than one year

	2012	2011
	£	£
Amount owed to fellow group undertakings	-	3,655,333

The company has a loan facility of up to £4,000,000 of which they have utilised £3,940,073 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

	2012	2011
	£	£
Authorised, allotted and fully paid		
1 (2011 1) ordinary share of £1	1	1

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

	Called up share capital	Profit and loss account	Total shareholders' deficit
		£	£
At 1 January 2012	1	(814,375)	(814,374)
Loss for financial year	-	(622,879)	(622,879)
At 31 December 2012	1	(1,437,254)	(1,437,253)

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 2012 was £1,000,902 (2011 £1,461,041)

The lease agreement will be terminated effective the 31 May 2013 as detailed in note 18 post balance sheet events

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

Marriott V & A Hotel Operating Company Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Post balance sheet events

Global Hospitality Licensing S a r L , a company registered in Luxembourg and a subsidiary of Marriott International Inc signed a franchise agreement with the new owner of the hotel, Newstay Manchester Trading Limited effective 1 June 2013 and terminating the lease agreement effective 31 May 2013, therefore the directors intend to wind up the company within 12 months after the signing of the financial statements

19. 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