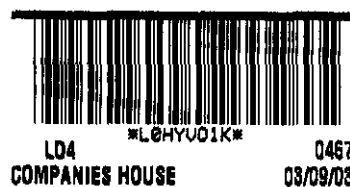


**MARRIOTT HOTELS (READING)
LIMITED**

Report and Financial Statements

31 December 2002



**Deloitte & Touche LLP
London**

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C J Pulley
H H Hansen
H H Davies
J M Healy

SECRETARY

CITCO Management UK Limited
7 Albermarle Street
London
W1S 4HQ

REGISTERED OFFICE

7 Albermarle Street
London
W1S 4HQ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company is to develop hotel sites for sale in the UK from time to time, as opportunities arise. The company did not undertake any significant business activity during the year and does not foresee any significant business activity in the future. The company expects to repay any loans to other group undertakings in the fiscal year ending 31 December 2003.

RESULTS AND DIVIDENDS

Results and dividends are as follows:

	2002 £
Accumulated deficit at 31 December 2001	(2,809,801)
Profit for the financial year	214,747
	<hr/>
Accumulated deficit at 31 December 2002	(2,595,054)
	<hr/>

The directors do not recommend the payment of a final dividend (2001 – nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, except as otherwise noted, and up to the date of release of this report, were:

C J Pulley	(resigned 26 February 2003)
H H Hansen	(US citizen)
H H Davies	(US citizen)
J M Healy	(US citizen)

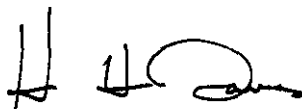
There are no directors' interests in the shares of the company or any other group undertaking which are required to be disclosed under Schedule 7 of the Companies Act 1985.

AUDITORS

Deloitte & Touche, were appointed as auditors by the Board on 1 August 2002 following the resignation of Arthur Andersen.

On 1 August 2003 Deloitte & Touche transferred its entire business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

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



H H Davies
Director

7 August 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MARRIOTT HOTELS (READING) LIMITED**

We have audited the financial statements of Marriott Hotels (Reading) Ltd for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

7 August 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2001 £
Administrative expenses	2	(7,353)	(500)
OPERATING LOSS		(7,353)	(500)
Foreign exchange gain/(loss)		309,593	(114,904)
Interest payable and similar charges	3	(87,493)	(174,744)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		214,747	(290,148)
Tax on profit/(loss) on ordinary activities	5	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT/(LOSS) FOR THE FINANCIAL YEAR		214,747	(290,148)
Accumulated deficit, at beginning of year		(2,809,801)	(2,519,653)
Accumulated deficit, at end of year		(2,595,054)	(2,809,801)

The company's results all relate to continuing operations.

There are no recognised gains or losses other than the profit for the year of £214,747 (2001 – loss £290,148).


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

BALANCE SHEET
31 December 2002

	Note	2002 £	2001 £
CURRENT ASSETS			
Debtors			
- due after more than one year	6	131,228	6,032,687
CREDITORS: amounts falling due within one year	7	(229,990)	(6,124,096)
NET CURRENT LIABILITIES		<u>(98,762)</u>	<u>(91,409)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(78,762)	(91,409)
CREDITORS: amounts falling due after one year	8	(2,496,192)	(2,718,292)
NET LIABILITIES		<u>(2,594,954)</u>	<u>(2,809,701)</u>
CAPITAL AND RESERVES			
Called up equity share capital	9	100	100
Profit and loss account	10	(2,595,054)	(2,809,801)
EQUITY SHAREHOLDER'S DEFICIT	10	<u>(2,594,954)</u>	<u>(2,809,701)</u>

These financial statements were approved by the Board of Directors on 7 August 2003.

Signed on behalf of the Board of Directors



H H Davies
Director

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The company made a profit during the year ended 31 December 2002 of £214,747 (2001 – loss £290,148) and at 31 December 2002 had net liabilities of £2,594,954 (2001 – £2,809,701).

Going concern

At 31 December 2001, the company's assets consisted of a loan to another group undertaking of £6,032,687. The asset was financed via loans from different group undertakings of £8,842,388, which included a loan of £5,902,709 from the company's shareholder, Marriott Hotels and Catering (Holdings) Limited. During the year the loan to another group company was received in its entirety. This was facilitated by transferring the funds to Marriott Hotels and Catering (Holdings) Limited. This resulted in the negation of the company's balance payable to Marriott Hotels and Catering (Holdings) Limited.

Of the amounts owed to other group undertakings £2,496,192 (2001 - £2,718,292) were interest bearing. Marriott International, the company's ultimate parent has indicated that it will provide continuing financial support to ensure that the company can meet its liabilities as they fall due.

The directors have considered the above and concluded that the company will continue to be able to meet its liabilities as they fall due for at least the next twelve months. Accordingly, the financial statements have been prepared on the going concern basis.

The accounts have been prepared under the historical cost convention 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 accounts because it is a wholly owned subsidiary of Marriott International Inc. in whose accounts 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.

Following the introduction of FRS 19, "Deferred Tax", the accounting policy for deferred tax has been changed. This has not resulted in the need to restate prior period results.

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, and 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.

Foreign currency

Trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

NOTES TO THE ACCOUNTS**Year ended 31 December 2002****2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2002 £	2001 £
Auditors remuneration		
- Audit	3,800	-
- Non audit	2,553	-
	<u> </u>	<u> </u>

Included in the above are £2,034 (2001 - £nil) in respect of non-audit fees paid to the previous auditors, Arthur Andersen.

In prior years, auditors' remuneration was borne by Marriott Hotels and Catering (Holdings) Limited, the Company's immediate parent company.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
On loans from group undertakings	(87,493)	(174,744)
	<u> </u>	<u> </u>

4. STAFF COSTS

Except for the directors the company did not employ any staff in the year or in the previous year.

The directors did not receive any remuneration in respect of services to the company in the year or in the previous year.

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

There is no tax charge for the period, with respect to either current or deferred tax, as the company incurred a loss on ordinary activities.

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:

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	214,747	(290,148)
	<u> </u>	<u> </u>
Tax at 30%	64,424	(87,044)
Effects of:		
Expenses not deductible for tax purposes	300	150
Group relief surrendered/(claimed)	(64,724)	86,894
	<u> </u>	<u> </u>
Current tax charge for the period	-	-
	<u> </u>	<u> </u>

There are no provided or unprovided deferred tax liabilities or assets as at 31 December 2002 (2001: £nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. DEBTORS

The following are included in debtors:

	2002 £	2001 £
Amounts owed by group undertakings	<u>131,228</u>	<u>6,032,687</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings	225,020	6,124,096
Accruals and deferred income	4,970	-
	<u>229,990</u>	<u>6,124,096</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings	<u>2,496,192</u>	<u>2,718,292</u>

Of the amounts due to group undertakings outstanding at the year end £2,496,192 (2001 – £2,718,292) were interest bearing during the year at LIBOR plus 1%. The remaining liabilities were non-interest bearing. The group loans have no fixed repayment date (see note 1).

9. CALLED UP EQUITY SHARE CAPITAL

	2002 £	2001 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICIT

	Share capital £	Profit and loss account £	Total £
Opening shareholder's deficit	100	(2,809,801)	(2,809,701)
Profit for the year	-	214,747	214,747
Closing shareholder's deficit	<u>100</u>	<u>(2,595,054)</u>	<u>(2,594,954)</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

11. ULTIMATE HOLDING COMPANY

The company is a direct subsidiary undertaking of Marriott Hotels and Catering (Holdings) Limited, registered in England and Wales, which is considered to be the immediate controlling party. The ultimate holding company and controlling party is Marriott International Inc., incorporated in the State of Delaware, U.S.A.

The largest and smallest group in which the results of Marriott Hotels (Reading) Limited are consolidated is that headed by Marriott International Inc.

The consolidated accounts of Marriott International Inc. are available to the public and may be obtained from Marriott International Inc., 1 Marriott Drive, Washington D.C. 20058, U.S.A.

12. RELATED PARTY TRANSACTIONS

As a 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.