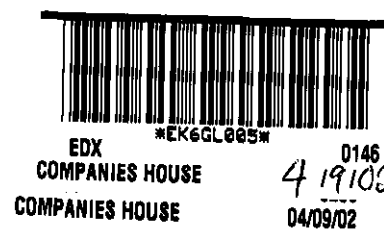


Sheraton Hotels (UK) plc

Annual report and accounts
for the year ended 31 December 2001

Registered number: 3114981



Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report for the year ended 31 December 2001.

Principal activities

The principal activities of the group include the ownership and operation of the Sheraton Skyline Hotel, Heathrow and The Park Lane Hotel, London. The group, through Sheraton Hotels (England) Limited, also manages other Sheraton branded hotels operating in the UK.

The company's principal activity is that of a holding company.

Business review

The directors expect the general level of activity to continue in 2001.

Results and dividends

The audited accounts for the year to 31 December 2001 are set out on pages 6 to 22. The group's result for the year after taxation was a profit of £276,000 (2000 – profit of £564,000).

The directors do not propose the payment of a dividend (2000 - £nil).

Directors

The directors who served during the year were as follows:

R.L. Scott

M.P. Wale

Directors' interests

The directors do not have any interests in the shares of group companies.

Supplier payment policy

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Directors' report (continued)

Disabled employees


Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through both formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Sheraton Skyline Hotel
Bath Road
Hayes
Middlesex
UB3 5BP

By order of the Board,



M.P. Wale
Director

31 July 2002

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the Shareholders of Sheraton Hotels (UK) PLC

We have audited the accounts of Sheraton Hotels (UK) PLC for the year ended 31 December 2001 which comprise the profit and loss account, balance sheet and the related notes numbered 1 to 19. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 and other members of the group is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.



Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'Arthur Andersen' in a cursive, flowing script.

Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand

London

WC2R 1BL

31 July 2002

Consolidated profit and loss account

For the year 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	1	34,482	39,500
Cost of sales		(19,992)	(22,081)
Gross profit		14,490	17,419
Administrative expenses		(11,096)	(11,765)
Operating profit		3,394	5,654
Interest receivable and similar income	2	758	1,064
Interest payable and similar charges	3	(3,472)	(3,849)
Profit on ordinary activities before taxation	4	680	2,869
Tax on profit on ordinary activities	7	(404)	(2,305)
Retained profit for the year		276	564

There were no recognised gains or losses in either year other than those included in the profit and loss account for each year.

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

An analysis of movement on reserves is given in note 16.

Consolidated balance sheet

31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	9	70,391	71,202
Investments	10	5	5
		<u>70,396</u>	<u>71,207</u>
Current assets			
Stocks	11	607	555
Debtors:			
- due within one year	12	20,273	14,061
- due after one year	12	12,027	9,665
Cash at bank and in hand		1,679	5,303
		<u>34,586</u>	<u>29,584</u>
Creditors: Amounts falling due within one year	13	<u>(30,374)</u>	<u>(19,826)</u>
Net current assets		<u>4,212</u>	<u>9,758</u>
Total assets less current liabilities		<u>74,608</u>	<u>80,965</u>
Creditors: Amounts falling due after more than one year	13	<u>(36,655)</u>	<u>(42,942)</u>
Provision for liabilities and charges	14	<u>(1,210)</u>	<u>(1,556)</u>
Net assets		<u>36,743</u>	<u>36,467</u>
Capital and reserves			
Called-up share capital	15, 16	33,462	33,462
Profit and loss account	16	3,281	3,005
Shareholders' funds: all equity		<u>36,743</u>	<u>36,467</u>

Signed on behalf of the board by:



M.P. Wale
Director

31 July 2002

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

Company balance sheet

31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	10	46,254	46,254
Current assets			
Debtors:			
- due with one year	12	35,703	36,786
- due after one year	12	9,665	9,665
Cash at bank and in hand		120	118
		45,488	46,569
Creditors: Amounts falling due within one year	13	(36,685)	(28,580)
Net current assets		8,803	17,989
Total assets less current liabilities		55,057	64,243
Creditors: Amounts falling due after more than one year	13	(36,655)	(42,942)
Net assets		18,402	21,301
Capital and reserves			
Called-up share capital	15, 16	33,462	33,462
Profit and loss account	16	(15,060)	(12,161)
Shareholders' funds: all equity		18,402	21,301

Signed on behalf of the board by:



M.P. Wale

Director

31 July 2002

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

Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

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

The group accounts consolidate the accounts of Sheraton Hotels (UK) plc and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Cash flow statement

The company has taken advantage of the exemptions afforded by Section 228 of the Companies Act 1985 because it is a wholly-owned subsidiary of Starwood Hotels & Resorts Worldwide Inc. who prepares consolidated accounts which are publicly available. On this basis the company is exempt from the requirement of FRS1 (revised) to present a cashflow statement.

Related party transactions

As a subsidiary of Starwood Hotels & Resorts Worldwide Inc., the company has taken advantage of the exemption in FRS8 'Related party disclosures' not to disclose transactions with other members of the group headed by Starwood Hotels & Resorts Worldwide Inc.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Statement of accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	40 years
Freehold building improvements	15 years
Leasehold land and buildings	Unexpired term of the lease
Fixtures, fittings and equipment	3 – 15 years

Investments

Fixed assets investments are shown at cost less provision for any impairments.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Corporation tax charges are reduced by group relief which is not charged between group companies.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Pension schemes

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds, or unfunded. Differences between amounts charged to the profit and loss account and amounts funded or paid directly to members of unfunded schemes are shown as either provisions or prepayments in the balance sheet.

The company has adopted the transitional disclosures required by FRS 17 (see note 18).

Statement of accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Management agreement incentives

Payments made in connection with management agreements as an incentive to sign the agreement, are held as current assets and amortised in line with the compensation the company would receive if the agreement was terminated.

Notes to the accounts

31 December 2001

1 Turnover

a) Turnover by activity

	2001 £'000	2000 £'000
Hotel operation	32,846	36,894
Management fees	1,636	2,606
	<u>34,482</u>	<u>39,500</u>

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. The turnover of the group arises solely within the United Kingdom.

b) Operating profit by activity

	2001 £'000	2000 £'000
Hotel operation	3,133	5,195
Management fees	309	459
	<u>3,442</u>	<u>5,654</u>

2 Interest receivable and similar income

	2001 £'000	2000 £'000
Interest receivable on short term deposits	<u>758</u>	<u>1,064</u>

3 Interest payable and similar charges

	2001 £'000	2000 £'000
Bank Loans	<u>3,472</u>	<u>3,849</u>

Notes to the accounts (continued)

4 Profit on ordinary activities before taxation

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

	2001 £'000	2000 £'000
Depreciation/amortisation:		
- tangible fixed assets	4,930	5,014
- deferred loan costs	88	89
Operating lease rentals		
- plant and machinery	105	86
- land and buildings	13	13
Rent receivable	(140)	(161)
Auditors' remuneration		
- audit services	80	86
- non audit services	54	49
Staff costs (note 5)	<u>9,455</u>	<u>9,692</u>

5 Staff costs

The average monthly number of employees was 501 (2000 – 550)

Their aggregate remuneration comprised:

	2001 £'000	2000 £'000
Wages and salaries	8,517	8,837
Social security costs	714	738
Other pension costs	224	117
	<u>9,455</u>	<u>9,692</u>

6 Directors' remuneration

The directors received no emoluments from the company for their services.

One of the directors is also a director of each of the subsidiary undertakings, this director received a total remuneration of £223,000 (2000 - £170,000) from one of the subsidiary undertakings. This remuneration related to services rendered to each of these companies together with management services provided to the Sheraton Park Tower Hotel. The directors do not believe that it is practicable to apportion the amount of the director services between each of these companies.

Notes to the accounts (continued)

7 Tax on profit on ordinary activities

The tax charge comprises:

	2001 £'000	2000 £'000
UK corporation tax	1,657	2,553
Deferred taxation (note 14)	(346)	781
Group relief in current year	(829)	(917)
Adjustment in respect of prior years	(78)	(112)
	<u>404</u>	<u>2,305</u>

Corporation tax charges are reduced by group relief which is not charged between group companies.

8 Profit attributable to Sheraton Hotels (UK) plc

The loss for the financial year dealt with in the accounts of the parent company, Sheraton Hotels (UK) plc, was £2,899,000 (2000- £3,077,000) As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

9 Tangible assets

Group	Freehold land and buildings £'000	Freehold building improvements £'000	Short leasehold land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2001	30,292	107	40,147	23,297	93,843
Additions	<u>2,225</u>	<u>-</u>	<u>207</u>	<u>1,687</u>	<u>4,119</u>
At 31 December 2001	<u>32,517</u>	<u>107</u>	<u>40,354</u>	<u>24,984</u>	<u>97,962</u>
Depreciation					
At 1 January 2001	2,927	13	7,671	12,030	22,641
Charge	<u>717</u>	<u>7</u>	<u>1,911</u>	<u>2,295</u>	<u>4,930</u>
At 31 December 2001	<u>3,644</u>	<u>20</u>	<u>9,582</u>	<u>14,325</u>	<u>27,571</u>
Net book value					
At 31 December 2001	<u>28,873</u>	<u>87</u>	<u>30,772</u>	<u>10,659</u>	<u>70,391</u>
At 31 December 2000	<u>27,365</u>	<u>94</u>	<u>32,476</u>	<u>11,267</u>	<u>71,202</u>

Of the total net book value of freehold land and buildings, £6,500,000 of freehold land has not been depreciated (2000 - £6,500,000).

Notes to the accounts (continued)

10 Investments

	Group	Company
	Investments £'000	Subsidiary undertakings £'000
At 1 January 2001 and 31 December 2001	5	46,254

There was no material difference between the book value and the market value of these investments at 31 December 2001.

At 31 December 2001 the group held 15% (2000 – 15%) of the issued ordinary share capital of Daniele Ryman Limited, an unlisted company registered in England and Wales. The investment was fully provided against at year end.

Subsidiary undertakings

The parent company has investments in the following subsidiary undertakings, which principally affected the profits of the group.

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of issued equity share capital held</i>
Sheraton Hotels (England) Limited	United Kingdom	Management of hotels	100%
Sheraton Skyline (UK) Limited	United Kingdom	Hotel ownership and operation	100%
The Park Lane Hotel Limited	United Kingdom	Hotel ownership and operation	100%

11 Stocks

	2001 £'000	2000 £'000
Group		
Finished goods and consumables	607	555

Notes to the accounts (continued)

12 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	4,141	4,718	-	-
Amounts owed by other group undertakings	14,526	8,313	35,703	36,786
Other debtors	236	55	-	-
Prepayments and accrued income	1,370	975	-	-
	<u>20,273</u>	<u>14,061</u>	<u>35,703</u>	<u>36,786</u>
Amounts falling due after more than one year:				
Amounts owed by other group undertakings	9,665	9,665	9,665	9,665
Premium paid in respect of management agreement	<u>2,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>12,027</u>	<u>9,665</u>	<u>9,665</u>	<u>9,665</u>
	<u>32,300</u>	<u>23,726</u>	<u>45,368</u>	<u>46,451</u>

The premium paid is to an owner of a hotel in order to retain a management agreement. The amount is recoverable in the event the agreement is cancelled in proportion to of the remaining term of the agreement.

Notes to the accounts (continued)

13 Creditors

Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Loan notes	562	4,139	562	4,139
Trade creditors	1,326	2,149	85	768
Amounts owed to group undertakings	20,144	5,151	29,663	18,073
Other taxation and social security	353	815	-	-
UK corporation tax	229	434	-	-
Accruals and deferred income	1,385	1,538	-	-
Other creditors	-	2,600	-	2,600
Term loan	6,375	3,000	6,375	3,000
	<u>30,374</u>	<u>19,826</u>	<u>36,685</u>	<u>28,580</u>

The loan note liability above represents the outstanding 10 year floating rate unsecured loan notes issued to the former shareholders of The Park Lane Hotel Limited (formerly The Park Lane Hotel plc) upon the acquisition of The Park Lane Hotel Limited (formerly The Park Lane Hotel plc) by the company. The loan notes were issued at a 2% discount on their par value.

In March 2000 the company entered into a loan agreement with a third party bank under which it can borrow up to £51.4 million in tranches. The loan is repayable within 7 years from the date of being drawn down and bears interest at LIBOR plus 1.35%. The loan is secured on the assets of The Park Lane Hotel Limited, Sheraton Skyline Limited and certain assets of Sheraton Hotels (UK) plc and Sheraton Hotels (England) Limited.

Amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Term Loan	37,025	43,400	37,025	43,400
Less:				
Deferred financing costs	620	620	620	620
Amortisation	(250)	(162)	(250)	(162)
	<u>370</u>	<u>458</u>	<u>370</u>	<u>458</u>
	<u>36,655</u>	<u>42,942</u>	<u>36,655</u>	<u>42,942</u>

Notes to the accounts (continued)

13 Creditors (continued)

Borrowings are repayable as follows:

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Loans				
Between one and two years	3,375	3,375	3,375	3,375
Between two and five years	33,650	40,025	33,650	40,025
	<u>37,025</u>	<u>43,400</u>	<u>37,025</u>	<u>43,400</u>
On demand or within one year	6,375	3,000	6,375	3,000
	<u>43,400</u>	<u>46,400</u>	<u>43,400</u>	<u>46,400</u>

14 Provisions for liabilities and charges

The provision for liabilities and charges comprises deferred tax. The movement in the period was as follows:

	2002		2001	
	Group	Company	Group	Company
	2001	2001	2000	2000
	£'000	£'000	£'000	£'000
At 1 January	1,556	-	775	-
Charged/(credited) to profit and loss account	(346)	-	781	-
At 31 December	<u>1,210</u>	<u>-</u>	<u>1,556</u>	<u>-</u>

Potential deferred taxation not provided for at 31 December 2001 was £1,365,590 (2000 - £1,571,769). These amounts are related to accelerated capital allowances and have not been provided as it is anticipated that this liability will not crystallise in the foreseeable future. Additional potential deferred tax, in relation to the revaluation of hotel property at acquisition, has not been provided for as it is not expected to crystallise in the foreseeable future.

15 Called-up share capital

	2001	2000
	£'000	£'000
<i>Authorised</i>		
34,351,016 ordinary shares of £1 each	<u>34,351</u>	<u>34,351</u>
<i>Allotted, called up and fully paid</i>		
33,461,672 shares of £1 each	<u>33,462</u>	<u>33,462</u>

Notes to the accounts (continued)

16 Reconciliation of movement in shareholders' funds

Group	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2001	33,462	3,005	36,467
Retained profit for the period	-	276	276
At 31 December 2001	<u>33,462</u>	<u>3,281</u>	<u>36,743</u>
Company			
At 1 January 2001	33,462	(12,161)	21,301
Retained loss for the period	-	(2,899)	(2,899)
At 31 December 2001	<u>33,462</u>	<u>(15,060)</u>	<u>18,402</u>

17 Financial commitments

Annual commitments under operating leases are as follows:

Group	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After five years	13	13	13	13
	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>

The company held no operating leases at 31 December 2001 (2000 - £nil).

Capital commitments are as follows:

Group	2001 £'000	2000 £'000
As at 31 December	<u>2,550</u>	<u>1,019</u>

Sheraton Hotels UK Ltd is committed to pay Sheraton Park Tower Ltd under the terms of the management contract.

Notes to the accounts (continued)

18 Pension schemes

The group provides pension arrangements for certain permanent employees through the SHUK Pension Plan (formerly known as the Sheraton United Kingdom Senior Staff Pension plan). The scheme is a defined benefit scheme based on final pensionable pay and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

The most recent valuation was conducted on 1 January 1999 using the projected unit method. The main assumptions are as follows:

Rate of interest	6% per annum
Rate of increase in salaries	3.5% per annum
Rate of increase in pensions payment	2.5% per annum

The most recent actuarial valuation as at 1 January 1999 disclosed a funding level of 109%. The pension charge for the year was £38,885 (2000: £90,301). The past service excess of assets over liabilities has been used to reduce the rate of employers' contributions for ten years from 1 January 2000. Due to the implications of the Government's 1997 Budget the 5% employers contribution was increased to 10% of pensionable pay as at 1 January 2001. The employer's normal cost was reduced from 14.8% of pensionable pay to 4% of pensionable pay until 1 April 1997 and thereafter to 5% of pensionable pay.

The actuarial valuation described above has been updated at 1 January 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2002 % pa
Rate of increase in salaries	3.5
Rate of increase in pensions in payment	2.5
Discount rate	6.0
Inflation assumption	2.5

Notes to the accounts (continued)

18 Pension schemes (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2002 %p.a.	2002 £'000
Equities	7%	8,076
Bonds/fixed interest stock	5%	1,136
Property	7%	264
Cash	-	371
Total fair value of assets		9,847
Present value of scheme liabilities		11,000
Surplus in the scheme		(1,153)

The group contribution rate for 2001 was 10% of pensionable pay and this is being reviewed as part of the 1 January 2002 valuation.

The group also operates the Park Lane (1997) Retirement Fund. There are currently 20 active members, although the scheme was closed to new members in December 1996. The scheme is a unitised with profit policy whereby the employee contributes 5% of pensionable salary and the employer has an obligation to make up any remaining contribution to keep the scheme fully funded. The actuarial valuation, dated 1 December 2000, recognised a £891,000 deficit to be made up by employer contributions of 60%.

The actuarial valuation was updated to 31 December 2001, by an independent qualified actuary in accordance with the transitional arrangements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2001 % pa
Rate of increase in salaries	4.75
Rate of increase in pensions in payment	2.5
Discount rate	5.7
Inflation assumptions	3.25

Notes to the accounts (continued)

18 Pension schemes (continued)

The fair value of assets in the scheme, the present value of the liabilities in the scheme, and the expected rate of return at the balance sheet date were:

	2001 % pa	2001 £'000
Unitised with profits policy	6.8	1,310
Present value of scheme liabilities		(2,313)
Deficit in the scheme		(1,003)
Related deferred tax asset		331
Net pension liability		(672)

Over the year to 31 December 2001, contributions by the group of £166,852 were made to the Scheme. It has been agreed with the Scheme Trustees that company contributions will continue at 7.5% of pensionable pay at least until the results of the next formal funding valuation due as at 1 December 2004.

The group operates a non-contributory defined benefit scheme for one of its former directors. The assets of the scheme are held separately from those of the group, being invested with an insurance company. The former director has been bought out of the scheme and is receiving an annuity.

19 Ultimate holding company

The directors regard Starwood Hotels & Resorts Worldwide Inc., a company incorporated in the United States of America, as the ultimate parent company and ultimate controlling party.

Sheraton Hotels (UK) plc is the parent company of the smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from the Sheraton Skyline Hotel, Bath Road, Hayes, Middlesex UB3 5BP.

Starwood Hotels & Resorts Worldwide Inc. is the parent company of the largest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from 1111 Westchester Avenue, White Plains, New York, NY10604, USA.