

Registered number: 04170018

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

COMPANY INFORMATION

Directors	Sheikh M Y A Al-Khereiji S M Zeid A M Jones C P Read
Company secretary	Citco Management (UK) Limited
Registered number	04170018
Registered office	7 Albemarle Street London W1S 4HQ
Independent auditor	BDO LLP Chartered Accountants & Statutory Auditor 55 Baker Street London W1U 7EU

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

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MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Results

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements. The consolidated profit after taxation for the year amounted to €236,101 (2015: €429,662) and the foreign exchange gain of €2,409,128 (2015: loss of €938,393) resulted in a total recognised gain for the year of €2,645,229 (2015: loss of €508,731).

The profit includes an impairment provision of €118,483 (2015: €403,336) charged to the profit and loss account. The market conditions for the UK hotel have remained difficult during 2016 and the directors have taken the decision to continue to fully impair the fixed asset additions of the hotel.

The directors do not recommend the payment of a dividend (2015: €Nil).

Principle risks and uncertainties

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks.

Interest rate risk

The Group's primary interest rate risk relates to interest bearing debts. The Group actively reviews its debts portfolio, taking in to account its investment holding period and nature of its assets.

Liquidity risk

The Group actively manages its debt maturity profile, operating costs flow and the availability of funding so as to ensure that all funding needs are met. As part of its overall prudent liquidity management, the group maintains sufficient levels of cash to meet its working capital requirement.

The company is reliant on the non-withdrawal of existing funding, amounting to €13.4 million (see note 17) from its parent company. The Directors are confident of the continued support from the parent company, however due to a disagreement amongst the Directors of the parent company there is no guarantee that the loans may not be withdrawn.

Credit risk

Credit risks are managed by the application of credit approvals and monitoring procedures.

Future developments

The Hotel Industry, more than many, is vulnerable to any unexpected developments which can have a significant impact on forecast results.

Recent major security issues in Europe, resulting from both terrorism threats and migration, have reduced overall travel numbers in 2016, which has led to a decrease in occupancy and rates across the group. The hotel market is currently dealing with a period of uncertainty which is having a negative impact on profitability forecasts for 2016. Increased security measures have also driven up security costs across the group.

In addition, on 23 June 2016 the UK voted to leave the European Union and, as a result, the UK economy is likely to face a long period of uncertainty. This period of uncertainty is also likely to have an impact across the rest of Europe. The short term impact of the vote may result in weaker domestic hotel demand, in line with weaker GDP, consumer spend and higher unemployment. Delays may also be expected to capital investment, including investments in hotel assets, because of the ensuing uncertain business environment. Business travel numbers are likely to be affected as a result.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

The pound has dropped considerably against the US dollar, less so against the euro since 23 June 2016.

It is too early to assess the precise impact the UK vote will have on our business in the longer term and how it may affect hotel staffing, wages, taxes, free movement, exchange rates and future investment. We are, however, used to dealing with unexpected developments and the resulting volatility and will manage the situation as it evolves for the group.

Financial key performance indicators

Substantially all of the company's revenue is derived from the operation of its leased hotels. Occupancy and Average Daily Room Rate ("ADR") are the major drivers of Rooms Revenue. The performance indicator used to explain changes is the net revenue per available room ("RevPAR"), which is the product of ADR and average daily occupancy.

Fluctuations in revenues are driven largely by general economic and local market conditions. Guest demographics also affect the hotel revenues. In addition to the economic conditions, supply is another factor to consider. An increase in supply will have a direct impact on the RevPAR as competitive pressures force the hotel operators to lower rates in order to compete during weak periods.

This report was approved by the board on 28 Sept. 2017 and signed on its behalf.

C P Read
Director



MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities, risks and future developments

The principal activity of Marriott European Hotel Operating Company Limited ("the company") is to provide asset management and administrative services to the company's immediate parent, Marriott European Holdings Limited (MEH), a company incorporated in Jersey and the MEH group of operating companies, including monitoring the performance of the hotels developed, owned, leased and operated by the MEH group.

The MEHOC group is comprised principally of the company and its subsidiaries which operate hotels in the UK, Germany and France.

The directors consider that the company and its subsidiaries will continue in operational existence for the foreseeable future and consequently the financial statements have been prepared on a going concern basis.

The main focus of the Marriott hotels in the group has been to preserve profit margins by:

- driving revenue
- increasing market share
- managing costs

Given the current economic climate very tight cost controls are maintained and the hotels continue to maintain high standards through maximising efficiencies in every department.

For an outline of principal risks see the Strategic Report.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Results and dividends

The profit for the year, after taxation, amounted to €236,101 (2015 - €429,662).

The directors do not recommend the payment of a dividend (2015: €Nil).

Directors

The directors who served during the year were:

Sheikh M Y A Al-Khereiji - Saudi Arabia
S M Zeid - Egypt
A M Jones - United Kingdom
C P Read - United States of America

Employee involvement

The group has maintained its policy of using staff publications, personal briefings and regular meetings to provide information to all its employees and to encourage their involvement.

Equal opportunities

The group strives to ensure that there is no discrimination on the grounds of sex, race, religion, disability or ethnic origin. This policy relates to recruitment, promotion and all matters relating to employment. It is supported through proactive internal publicity, through the quality support network and enforced through the discipline code. It is also the Group's policy to offer equal opportunities to disabled persons and to provide them with the same opportunities for training, career development and promotion that are available to all employees with regard to their qualifications and abilities.

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in respect of proceedings brought by third parties and subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

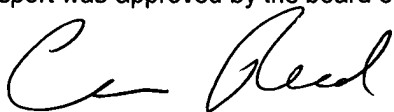
MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 Sept 2017 and signed on its behalf.



C P Read
Director

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

We have audited the financial statements of Marriott European Hotel Operating Company Limited for the year ended 31 December 2016, which comprises of the consolidated statement of comprehensive income, the consolidated balance sheet, the Company balance sheet, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated statement of cash flows and related notes 1 to 27. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' responsibilities statement 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit or 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, based on the work undertaken in the course of the audit, the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARRIOTT EUROPEAN HOTEL
OPERATING COMPANY LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Marc Reinecke

Marc Reinecke (senior statutory auditor)

for and on behalf of
BDO LLP

Chartered Accountants & Statutory Auditor

55 Baker Street

London

W1U 7EU

Date: *28-9-2017*

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 €	2015 €
Turnover	3	69,890,564	70,435,831
Cost of sales		(30,325,656)	(30,211,750)
Gross profit		39,564,908	40,224,081
Administrative expenses		(38,018,709)	(37,341,323)
Other operating income	4	2,349,875	1,546,723
Provision for impairment		(118,483)	(403,336)
Operating profit	5	3,777,591	4,026,145
Interest receivable and similar income	9	54,812	90,474
Interest payable and expenses	10	(1,275,711)	(1,592,011)
Profit before taxation		2,556,692	2,524,608
Tax on profit	11	(2,320,591)	(2,094,946)
Profit for the year		236,101	429,662
Foreign exchange translation		2,409,128	(938,393)
Other comprehensive income/(loss) for the year		2,409,128	(938,393)
Total comprehensive income/(loss) for the year		2,645,229	(508,731)

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED
REGISTERED NUMBER: 04170018

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 €	2015 €
Fixed assets			
Tangible assets	12	8,221,679	7,189,134
		<u>8,221,679</u>	<u>7,189,134</u>
Current assets			
Stocks	14	217,333	245,394
Debtors: amounts falling due within one year	15	4,704,262	3,850,316
Cash at bank and in hand	16	16,291,783	17,421,164
		<u>21,213,378</u>	<u>21,516,874</u>
Creditors: amounts falling due within one year	17	(30,301,142)	(29,860,073)
Net current liabilities		<u>(9,087,764)</u>	<u>(8,343,199)</u>
Total assets less current liabilities		<u>(866,085)</u>	<u>(1,154,065)</u>
Creditors: amounts falling due after more than one year	18	(13,522,829)	(15,880,078)
Provisions for liabilities			
Net assets		<u><u>(14,388,914)</u></u>	<u><u>(17,034,143)</u></u>
Capital and reserves			
Called up share capital	22	2	2
Profit and loss account		(14,388,916)	(17,034,145)
Equity attributable to owners of the parent Company		<u><u>(14,388,914)</u></u>	<u><u>(17,034,143)</u></u>
		<u><u>(14,388,914)</u></u>	<u><u>(17,034,143)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

28 Sept 2017


C P Read
 Director
 Company number: 04170018

The notes on pages 15 to 36 form part of these financial statements.

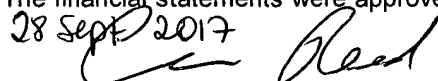
MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED
REGISTERED NUMBER: 04170018

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 €	2015 €
Fixed assets			
Investments	13	3,705,514	3,705,514
		<u>3,705,514</u>	<u>3,705,514</u>
Current assets			
Debtors: amounts falling due within one year	15	55,716	31,015
Cash at bank and in hand	16	1,071,293	1,083,530
		<u>1,127,009</u>	<u>1,114,545</u>
Creditors: amounts falling due within one year	17	(15,454,487)	(14,722,533)
Net current liabilities		<u>(14,327,478)</u>	<u>(13,607,988)</u>
Total assets less current liabilities		<u>(10,621,964)</u>	<u>(9,902,474)</u>
Net liabilities excluding pension asset		<u>(10,621,964)</u>	<u>(9,902,474)</u>
Net liabilities		<u>(10,621,964)</u>	<u>(9,902,474)</u>
Capital and reserves			
Called up share capital	22	2	2
Profit and loss account		(10,621,966)	(9,902,476)
		<u>(10,621,964)</u>	<u>(9,902,474)</u>

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Statement of Comprehensive Income. The Company's loss for the year was €719,490 (2015: profit of €21,808).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

28 Sept 2017 

C P Read
 Director
 Company number: 04170018

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital	Retained earnings	Equity attributable to owners of parent Company	Total equity
	€	€	€	€
At 1 January 2016	2	(17,034,145)	(17,034,143)	(17,034,143)
Comprehensive income for the year				
Profit for the year	-	236,101	236,101	236,101
Foreign currency translation gain/(loss)	-	2,409,128	2,409,128	2,409,128
Other comprehensive income for the year	-	2,409,128	2,409,128	2,409,128
Total comprehensive income for the year	-	2,645,229	2,645,229	2,645,229
At 31 December 2016	2	(14,388,916)	(14,388,914)	(14,388,914)

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital	Retained earnings	Equity attributable to owners of parent Company	Total equity
	€	€	€	€
At 1 January 2015	2	(16,525,414)	(16,525,412)	(16,525,412)
Comprehensive income for the year				
Profit for the year	-	429,662	429,662	429,662
Foreign currency translation gain/(loss)	-	(938,393)	(938,393)	(938,393)
Other comprehensive loss for the year	-	(938,393)	(938,393)	(938,393)
Total comprehensive loss for the year	-	(508,731)	(508,731)	(508,731)
Total transactions with owners	-	-	-	-
At 31 December 2015	2	(17,034,145)	(17,034,143)	(17,034,143)

The notes on pages 15 to 36 form part of these financial statements.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Profit and loss account	Total equity
	€	€	€
At 1 January 2016	2	(9,902,476)	(9,902,474)
Comprehensive income for the year			
Loss for the year	-	(719,490)	(719,490)
	-	(719,490)	(719,490)
Total comprehensive loss for the year			
	2	(10,621,966)	(10,621,964)
At 31 December 2016	2	(10,621,966)	(10,621,964)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Profit and loss account	Total equity
	€	€	€
At 1 January 2015	2	(9,924,284)	(9,924,282)
Comprehensive income for the year			
Profit for the year	-	21,808	21,808
	-	21,808	21,808
Total comprehensive income for the year			
	2	(9,902,476)	(9,902,474)
At 31 December 2015	2	(9,902,476)	(9,902,474)

The notes on pages 15 to 36 form part of these financial statements.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

		2016 €	2015 €
Cash flows from operating activities			
Profit for the financial year		236,101	429,662
Adjustments for:			
Depreciation of tangible assets	12	2,501,584	2,166,094
Impairments of fixed assets	12	118,483	403,336
Decrease/(increase) in stocks	14	28,061	(11,279)
Interest paid		723	13,437
Interest received		(54,812)	(90,474)
Taxation		(1,825,777)	(1,827,241)
(Increase)/decrease in debtors		(881,955)	559,519
Increase in creditors		3,802,737	5,804,986
Foreign exchange (charge)/gain		(127,861)	37,426
Net cash generated from operating activities		<u>3,797,284</u>	<u>7,485,466</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(3,652,612)	(4,217,486)
Interest received	9	54,812	90,474
Interest paid	10	(723)	(13,437)
Net cash from investing activities		<u>(3,598,523)</u>	<u>(4,140,449)</u>
Cash flows from financing activities			
Repayment of/new finance leases		(1,328,142)	(1,483,836)
Net cash used in financing activities		<u>(1,328,142)</u>	<u>(1,483,836)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(1,129,381)</u>	<u>1,861,181</u>
Cash and cash equivalents at beginning of year	16	17,421,164	15,559,983
Cash and cash equivalents at the end of year	16	<u><u>16,291,783</u></u>	<u><u>17,421,164</u></u>
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand		<u><u>16,291,783</u></u>	<u><u>17,421,164</u></u>

The notes on pages 15 to 36 form part of these financial statements.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 Statutory information

Marriott European Hotel Operating Company Limited is a private company, limited by shares, incorporated in England & Wales, registration number 04170018. The registered office is 7 Albemarle Street, London, W1S 4HQ.

1.2 Basis of preparation of financial statements

The financial statements, which have been denominated in Euro, have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The Group financial statements consolidate the financial statements of Marriott European Hotel Operating Company Limited and its subsidiary undertakings drawn up to 31 December 2016. The results of subsidiaries acquired are consolidated for the period from the date on which control passed. The acquisition method of accounting has been adapted.

In preparing the separate financial statements of the parent Company, advantage has been taken of the following disclosure exemptions as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 3 Financial Statement Presentation paragraph 317(d).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.3 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.4 Going concern

The consolidated balance sheet shows year end net liabilities of €14,388,914 (2015: €17,034,143).

Included within current liabilities is an amount of €13.4 million (see note 17), which is due to the parent company. This amount is repayable on demand. In order to be able to meet its day to day liabilities, the directors expect the parent company will not demand repayment of the amounts due. The Directors are confident of the continued support from the parent company and have received written confirmation from the parent company that it will not demand repayment.

The directors consider that the Company and its subsidiaries will continue in operational existence for the foreseeable future and consequently the financial statements have been prepared on a going concern basis.

1.5 Turnover

Turnover represents amounts receivable for goods and services in the normal course of business, net of trade discounts and exclusive of value added tax and other sales related taxes. Turnover is recognised at the point of sale of goods or as the service is provided.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold property	- over the term of the lease
Fixtures & fittings	- over 5 to 8 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1.9 Stocks

Stocks comprise of consumable inventories used in the hotel operations. Stocks are stated at the lower of cost and net realisable value. At each balance sheet date, stocks are assessed for impairment. The impairment loss is recognised in the profit and loss.

1.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

The financial statements of the subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves.

1.15 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Leasing and hire purchase

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1.18 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

1.19 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates based on the economic utilisation and the physical condition of the assets. See note 12 for they carrying amount of property plant and equipment.

The Company considers whether investments in subsidiary companies are impaired on an annual basis. Where an indication of impairment is identified the estimation of the recoverable amount requires estimation of both the fair value less costs to sell and the value in use of the cash generating units (CGUs). This in turn requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Management is required to assess whether it is appropriate to recognise a deferred tax asset relating to taxable losses available to the Group and Company. In making this assessment, management takes into consideration the likelihood of future taxable profits being available to utilise against taxable losses. See note 11 for details of the deferred tax asset not recognised in these financial statements.

The decision over whether the leases entered into should be operating or finance leases has been made by management. The decisions have been made based on assessment of the risks and rewards of ownership.

Foreign currency amounts have been translated at year end rates of EUR/GBP 1.1651 (2015: 1.3605) and USD/GBP 1.2303 (2015: 1.4819).

3. Turnover and segmental analysis

Contribution to turnover are analysed as follows:

	2016 €	2015 €
Rooms	50,568,327	52,611,792
Food and Beverage	15,320,173	15,121,819
Other	2,725,365	2,702,220
Culture tax	1,276,699	-
	<u>69,890,564</u>	<u>70,435,831</u>

The culture tax was introduced in 2010 by the city of Cologne but later challenged by the German Hotel Association in a court of law which ruled the tax "unconstitutional" in 2012. The tax was initially imposed on both private individuals and on business professionals. Since January 2013 the tax is only now levied on private guests staying overnight in Cologne.

Three years after the 2012 ruling the claim is barred (statute barred claim), i.e. at the end of 2015 the hotel reversed the payable amount of €1,276,699 (2010 to 2012) to "Other income" as the amount would no longer be repayable in 2016.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Turnover and segmental analysis (continued)

A geographical breakdown of performance is detailed below.

	2016	2016	2016
	Turnover	Profit/(loss) before tax	Total assets
	€	€	€
United Kingdom	4,882,865	(911,264)	1,477,086
France	13,487,081	(2,385,411)	6,777,959
Germany	51,520,618	6,264,795	21,611,081
	<u>69,890,564</u>	<u>2,968,120</u>	<u>29,866,126</u>
	2015	2015	2015
	Turnover	Profit/(loss) before tax	Total assets
	€	€	€
United Kingdom	5,717,841	(1,113,845)	1,449,667
France	14,455,527	(1,519,292)	5,867,356
Germany	50,262,462	5,528,180	21,036,978
	<u>70,435,830</u>	<u>2,895,043</u>	<u>28,354,001</u>

A loss before tax of €411,428 (2015: loss €370,436) and net liabilities of €449,035 (2015: assets of €352,007) relate to the parent company and group adjustments which are not included in the above tables.

4. Other operating income

	2016	2015
	€	€
Other operating income	2,349,875	1,546,723
	<u>2,349,875</u>	<u>1,546,723</u>

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. Operating profit

The operating profit is stated after charging:

	2016 €	2015 €
Depreciation of tangible fixed assets	2,501,584	2,166,094
Operating lease rental - land and buildings	13,734,973	13,917,687
Operating lease rentals - other	211,038	73,067
Realised foreign exchange gains and losses	(6,959)	(1,231)
Impairment of fixed assets	118,483	403,336
Inventory recognised as an expense	10,547,153	12,679,459
	<u>10,547,153</u>	<u>12,679,459</u>

6. Auditors' remuneration

	2016 €	2015 €
Fees payable to the Group's auditor and its associates in respect of:		
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	21,205	25,913
Fees payable to the company's auditor and its associates for the audit of the company's subsidiaries	171,856	179,751
	<u>193,061</u>	<u>205,664</u>

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. Staff Costs

	2016 €	2015 €
Wages and salaries	15,777,829	14,822,132
Social security costs	3,517,857	3,609,094
Cost of defined contribution scheme	286,107	272,711
	<u>19,581,793</u>	<u>18,703,937</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Rooms	121	125
Food and Beverage	163	164
Other	167	179
	<u>451</u>	<u>468</u>

8. Directors' Remuneration

The directors received €Nil in respect of their services to the group for the year (2015: €Nil).

9. Interest receivable and similar income

	2016 €	2015 €
Bank interest receivable	54,812	90,474
	<u>54,812</u>	<u>90,474</u>

10. Interest payable and expenses

	2016 €	2015 €
Bank interest payable and similar charges	723	13,437
Finance leases and hire purchase contracts	1,274,988	1,578,574
	<u>1,275,711</u>	<u>1,592,011</u>

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Taxation

	2016 €	2015 €
UK corporation tax charge at 20% (2015: 20.25%)	-	-
	-	-
Overseas tax	2,104,506	1,887,076
	2,104,506	1,887,076
Total current tax	2,104,506	1,887,076
Deferred tax		
Origination and reversal of timing differences	216,085	207,870
Total deferred tax	216,085	207,870
Taxation on profit on ordinary activities	2,320,591	2,094,946

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the loss on ordinary activities for the year is different from the amount calculated by applying the weighted average tax rate of 38.46% (2015 - 45.93%). The differences are explained below:

	2016 €	2015 €
Profit on ordinary activities before tax	<u>2,556,692</u>	<u>2,524,608</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 38.46% (2015 - 45.93%)	983,304	1,159,552
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(43,084)	(51,731)
Other timing differences leading to an increase (decrease) in taxation	15,455	42,345
Adjustment in respect of foreign tax rates	60,405	(77,807)
Adjust closing deferred tax to average rate of 20% (2015: 20.25%)	714,176	558,746
Adjust opening deferred tax to average rate of 20% (2015: 20.25%)	(451,171)	(55,693)
Deferred tax not recognised	(13,544)	(248,555)
Unrelieved tax losses carried forward	818,193	548,080
Other differences leading to an increase (decrease) in the tax charge	20,771	11,187
Other permanent differences	216,086	207,870
Transfer pricing adjustments	-	952
Total tax charge for the year	<u><u>2,320,591</u></u>	<u><u>2,094,946</u></u>

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

11. Taxation (continued)

Factors that may affect future tax charges

(c) Deferred taxation

Deferred tax for group is as follows:

	2016 €	2015 €
Arising on consolidation	(1,925,959)	(1,709,874)
Deferred tax asset	<u>(1,925,959)</u>	<u>(1,709,874)</u>

The deferred tax assets arising in respect of decelerated capital allowances, tax losses and other timing differences have not been recognised as there is insufficient evidence that the asset will be recovered. These deferred tax assets would be recovered if suitable future profits were available against which these assets could be utilised.

	2016 €
At 1 January 2016	1,709,874
Provided in the year (note 11)	216,085
At 31 December 2016	<u>1,925,959</u>

(d) Factors affecting future tax charges

The deferred tax assets arising in respect of decelerated capital allowances, tax losses and other timing differences have not been recognised as there is insufficient evidence that the asset will be recovered. These deferred tax assets would be recovered if suitable future profits were available against which these assets could be utilised.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. Tangible fixed assets

Group

	Long Term Leasehold Property €	Fixtures & fittings €	Total €
Cost or valuation			
At 1 January 2016	11,836,350	28,077,209	39,913,559
Additions	-	3,652,612	3,652,612
Exchange adjustments	(1,699,980)	(865,527)	(2,565,507)
At 31 December 2016	<u>10,136,370</u>	<u>30,864,294</u>	<u>41,000,664</u>
Depreciation			
At 1 January 2016	11,836,350	20,888,075	32,724,425
Charge for the period on owned assets	-	2,501,584	2,501,584
Impairment charge	-	118,483	118,483
Exchange adjustments	(1,699,980)	(865,527)	(2,565,507)
At 31 December 2016	<u>10,136,370</u>	<u>22,642,615</u>	<u>32,778,985</u>
Net book value			
At 31 December 2016	<u>-</u>	<u>8,221,679</u>	<u>8,221,679</u>
At 31 December 2015	<u>-</u>	<u>7,189,134</u>	<u>7,189,134</u>

All leasehold property is held under finance leases, and €2,097,180 (2015: €2,448,900) for the fixtures, fittings and equipment are held under a finance lease. All assets held under finance lease are fully impaired. The depreciation charged to the financial statements in the year in respect of such assets amounted to €Nil (2015: €Nil).

The market conditions for the UK hotel have remained difficult during 2016 and the directors have taken the decision to impair the fixed asset additions of the UK hotel in accordance with the requirements of FRS 102. An impairment charge of €118,483 (2015: €403,336) is recorded in the profit and loss account.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Country of incorporation
Cheshunt Hotel Operating Company Limited	Ordinary	100 %	England and Wales
Roissy CYBM SAS	Ordinary	100 %	France
Hamburg Marriott Hotel Management GmbH	Ordinary	100 %	Germany
Munich CY Schwanthaler Operating Company GmbH	Ordinary	100 %	Germany
Cologne MH Operating Company GmbH	Ordinary	100 %	Germany

The principal activity of all subsidiaries in the group is that of a hotel operating company.

Company

	Investments in subsidiary companies €
Cost or valuation	
At 1 January 2016	3,705,514
At 31 December 2016	3,705,514
Net book value	
At 31 December 2016	3,705,514
At 31 December 2015	3,705,514

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Stocks

	Group 2016 €	Group 2015 €	Company 2016 €	Company 2015 €
Finished goods and goods for resale	217,333	245,394	-	-
	<u>217,333</u>	<u>245,394</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

15. Debtors

	Group 2016 €	Group 2015 €	Company 2016 €	Company 2015 €
Trade debtors	3,022,391	2,704,035	-	-
Amounts owed by group undertakings	17,966	-	18,000	15,719
Other debtors	895,379	699,991	3,080	2,708
Prepayments and accrued income	724,860	406,837	-	-
VAT recoverable	43,666	39,453	34,636	12,588
	<u>4,704,262</u>	<u>3,850,316</u>	<u>55,716</u>	<u>31,015</u>

16. Cash and cash equivalents

	Group 2016 €	Group 2015 €	Company 2016 €	Company 2015 €
Cash at bank and in hand	16,291,783	17,421,164	1,071,293	1,083,530
	<u>16,291,783</u>	<u>17,421,164</u>	<u>1,071,293</u>	<u>1,083,530</u>

Within the cash balance of the group as at 31 December 2016 is an amount of €4,400,594 (2015: €5,513,803) which is restricted.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. Creditors: Amounts falling due within one year

	Group 2016 €	<i>Group 2015 €</i>	Company 2016 €	<i>Company 2015 €</i>
Deferred Tax	1,925,959	1,709,872	-	-
Trade creditors	3,883,780	3,547,769	21,534	411
Note payable - related parties	-	-	26,422	26,422
Amounts owed to ultimate parent undertakings	-	-	1,558,044	762,393
Amounts owed to other participating interests	13,853,888	13,835,922	13,418,922	13,406,356
Corporation tax	508,543	229,816	-	-
VAT Payable	1,147,574	619,947	-	-
Obligations under finance lease and hire purchase contracts	1,292,085	1,478,584	-	-
Other creditors	3,645,652	3,536,596	-	-
Accruals and deferred income	4,043,661	4,901,567	429,565	526,951
	<u>30,301,142</u>	<u>29,860,073</u>	<u>15,454,487</u>	<u>14,722,533</u>

18. Creditors: Amounts falling due after more than one year

	Group 2016 €	<i>Group 2015 €</i>	Company 2016 €	<i>Company 2015 €</i>
Net obligations under finance leases and hire purchase contracts	13,522,829	15,880,078	-	-
	<u>13,522,829</u>	<u>15,880,078</u>	<u>-</u>	<u>-</u>

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. Financial instruments

	Group 2016 €	Group 2015 €	Company 2016 €	Company 2015 €
Financial assets				
Financial assets that are debt instruments measured at amortised cost	3,917,770	3,779,383	21,080	18,427
	<u>3,917,770</u>	<u>3,779,383</u>	<u>21,080</u>	<u>18,427</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(36,180,267)	(38,278,957)	(14,998,500)	(14,271,333)
	<u>(36,180,267)</u>	<u>(38,278,957)</u>	<u>(14,998,500)</u>	<u>(14,271,333)</u>

The company holds financial assets and liabilities measured at amortised cost. Those that are payable or receivable within one year shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (net of impairment) unless the arrangement constitutes, in effect, a financing transaction.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. Finance lease commitments

At 31 December 2016 the Group had future commitments under finance lease agreements are as follows:

	2016	2015
	€	€
Amount payables:		
Within one year	1,292,085	1,478,584
Between one to five years	5,567,771	6,371,417
After more than five years	25,356,460	31,600,953
	<u>32,216,316</u>	<u>39,450,954</u>
Less interest and finance charges relating to future periods	(17,401,402)	(22,092,300)
	<u>14,814,914</u>	<u>17,358,654</u>
 Finance lease agreements are analysed as follows:		
Current obligations	1,292,085	1,478,584
Non-current obligations	13,522,829	15,880,070
	<u>14,814,914</u>	<u>17,358,654</u>

The Group has annual rent reviews and rent increases are based on increases in RPI published by the National Office of Statistics. The leases are paid in monthly instalments and are due to be fully repaid by November 2035.

21. Operating lease commitments

At 31 December 2016 the group has annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	€	€	€	€
Group				
Expiry date:				
Within one year	13,135,912	13,135,551	87,107	45,854
Between two to five years	52,670,288	52,542,203	112,237	174,892
After more than five years	106,465,159	119,414,280	11,694	3,520

At 31 December 2016 the Company has no operating lease commitments and none in the prior year.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. Share capital

	2016 €	2015 €
Shares classified as equity		
Group and company		
Allotted, called up and fully paid		
1 Ordinary Shares of £1 each share of €2	2	2
	<u>2</u>	<u>2</u>

All ordinary classed shares have full voting, dividend and capital distribution rights including on the winding up of the company. There are no restrictions placed on this class of shares.

23. Reserves

	Profit and loss account
Group	€
At 1 January 2016	(17,034,145)
Profit for the financial year	236,101
Currency translation differences	2,409,128
	<u>(14,388,916)</u>
At 31 December 2016	<u>(14,388,916)</u>

24. Reconciliation of movement in group shareholders' deficit

	2016 €	2015 €
Group		
Opening shareholders' deficit	(17,034,143)	(16,525,412)
Profit for the financial year	236,101	429,662
Other recognised gains and losses during the year	2,409,128	(938,393)
	<u>(14,388,914)</u>	<u>(17,034,143)</u>

25. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administrated fund. The pension cost recharge represents contributions payable by the group of the fund and amounted to €5,795 (2015: €6,516).

Contributions totalling €Nil (2015: €Nil) were payable to the fund at the balance sheet date and are included in creditors.

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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26. Related party transactions

During the year the group entered into transactions, on an arm's length basis, with related parties.

2016

Entity name	Transaction description	Purchases from related party	Amounts due (to)/from related party
Global Hospitality Licensing SARL ("GHL")	Marriott Rewards, EDP, Systems, CTAC, Royalty, Marketing, Incentive and licence fees	€2,864,923	€(562,523)
Marriott de Gestion/LHIF	Shared service, Management fees and Marriott rewards	€835,535	€(120,262)
Marriott Hotel Holding GmbH	Management Fees	€45,433	€0
Marriott Hotel Management GmbH	Management Fees	€82,401	€(6,112)
Marriott Hotels Limited	Shared service center and payroll	€1,673,626	€0
Marriott Hotels International Limited	Management fees and Marriott rewards	€98,609	€831
GHL	Royalty, Marketing and Licensing Fee	£533,684	€27,711

2015

Entity name	Transaction description	Purchases from related party	Amounts due (to)/from related party
Global Hospitality Licensing SARL ("GHL")	Royalty, marketing, incentive and licencing fees	€3,257,939	€(696,928)
Marriott de Gestion/LHIF	Management Fees	€433,052	€(82,832)
Marriott Hotel Holding GmbH	Management fees and Marriott rewards	€nil	€nil
Marriott Hotel Management GmbH	Management Fees	€124,650	€(10,305)
Marriott Hotels Limited	Shared service center and payroll charges	€1,743,397	€nil
Marriott Hotels International Limited	Management fees and Marriott rewards	€84,099	€nil
GHL	Royalty, marketing, incentive and licencing fees	£189,028	€(16,879)
Marriott International		€nil	€nil

MARRIOTT EUROPEAN HOTEL OPERATING COMPANY LIMITED

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26. Related party transactions (continued)

Marriott Hotel Holding GmbH, Marriott Hotel Management GmbH and GHL are associate companies of the Marriott International, Inc. group. Marriott Hotels International, LHIF and Marriott Hotels Limited are wholly owned subsidiaries of Marriott International Inc. Marriott European Hotel Operating Company Limited is an associate company of Marriott International Inc. through indirect ownership.

Marriott European Hotel Operating Company Limited have taken the exemption under FRS 102, Section 33 Related Party Disclosures paragraph 33.1A, whereby the company is not required to disclose transactions between companies which are wholly owned subsidiaries of the other counter party.

27. Controlling party

The company is a subsidiary of Marriott European Holdings Limited, a company registered in Jersey and the ultimate parent company.

The largest and smallest group in which the financial statements of Marriott European Hotel Operating Company Limited are consolidated is that headed by Marriott European Holdings Limited.