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CHFP025

COMPANIES FORM No. 155(6)b

**Declaration by the directors
of a holding company in
relation to assistance for the
acquisition of shares****155(6)b**Please do not
write in this
margin

Pursuant to section 155(6) of the Companies Act 1985

**Please complete
legibly, preferably
in black type, or
bold block lettering**To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number

--	--	--

389061

Name of company

* Forte Holdings Limited

NotePlease read the notes
on page 3 before
completing this form.* insert full name
of companyx/We ~~are~~ See Rider 1 attached§ insert name(s) and
address(es) of all
the directors† delete as
appropriate~~(the sole director)~~ [all the directors]† of the above company (hereinafter called 'this company') do
solemnly and sincerely declare that:§ delete whichever
is inappropriate

The business of this company is:

- ~~(a) that of a [recognised bank] licensed institution† within the meaning of the Banking Act 1979~~
~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on
insurance business in the United Kingdom~~
(c) something other than the above§

This company is [the] ~~a~~ holding company of* Forte Hotels (UK) Limited
(registered number 318226) which is
proposing to give financial assistance in connection with the acquisition of shares
in ~~this company~~ [Forte Limited (registered number: 76230)
_____ the holding company of this company.]†

Presenter's name address and
reference (if any):Clifford Chance Limited Liability
200 Aldersgate Street
London
EC1A 4JJFor official Use
General Section

Post room

LD4
COMPANIES HOUSE0331
13/07/01

The assistance is for the purpose of [that acquisition] ^{and} [reducing or discharging a liability incurred for the purpose of that acquisition].† (note 1)

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The number and class of the shares acquired or to be acquired is: 1,467,799,121 ordinary
shares of 25 pence each

The assistance is to be given to: (note 2) See Rider 2 attached

The assistance will take the form of:

See Rider 3 attached

The person who ~~has acquired~~ [will acquire]† the shares is:
Grand Hotels (M) Acquisition Company I Limited

† delete as appropriate

The principal terms on which the assistance will be given are:

See Rider 3 attached

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is nil

The amount of cash to be transferred to the person assisted is £ nil

The value of any asset to be transferred to the person assisted is £ nil

Please do not
write in this
margin

The date on which the assistance is to be given is within 8 weeks of the date hereof

Please complete
legibly, preferably
in black type, or
bold block lettering

~~1/~~ We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ~~1/~~ We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date)* (note 3)

(b) ~~It is intended to commence the winding up of this company within 12 months of that date, and 1/ we have formed the opinion that this company will be able to pay its debts in full within 12 months of the commencement of the winding up)* (note 3)~~

* delete either (a) or
(b) as appropriate

And ~~1/~~ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at _____

Declarants to sign below

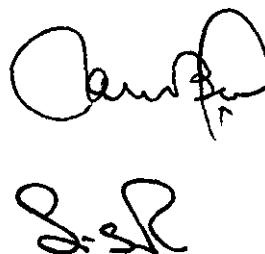
200 Aldersgate Street
London EC1A 4JH

Day Month Year
on

0	6	0	7	2	0	0	1
---	---	---	---	---	---	---	---

before me John James

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.



NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

Rider 1

Directors of the Company:

Name

Address

Simon Fraser

Foxtrot
1 Shay Copse
Woking
Surrey
GU22 8HS

Bernard Lambert

Flat 10
21-23 Palace Gate
London
W8 5LS

Rider 2

Grand Hotels (M) Acquisition Company I
Limited
Carmelite
50 Victoria Embankment
London
EC4Y 0DX

Grand Hotels Acquisition Company Limited
Carmelite
50 Victoria Embankment
London
EC4Y 0DX

Grand Hotels (M) Acquisition Company II
Limited
Carmelite
50 Victoria Embankment
London
EC4Y 0DX

Grand Hotels (Cumberland) Acquisition
Company Limited
Carmelite
50 Victoria Embankment
London
EC4Y 0DX

Rider 3

Please see Section C for Defined Terms

For the purposes of this Rider 3, references to "the Company" shall mean the company giving the assistance.

SECTION A

The assistance will take the form of:

1. **Senior Facility Agreement, Senior Mezzanine Facility Agreement, Junior Mezzanine Facility Agreement and the Priority Deed**

The execution and delivery of, and performance by the Company of its obligations under an accession agreement (the "**Accession Agreement** ") to be entered into on or after the date hereof by Parent Holdco, the Company and others in favour of the Senior Facility Agent, the Senior Mezzanine Facility Agent, the Junior Mezzanine Agent and the Security Agent.

2. **Security for the Senior Debt, Senior Hedging Debt, Senior Mezzanine Debt and Junior Mezzanine Debt**

2.1 The execution and delivery of, and performance by the Company of its obligations under a debenture (the "**Senior Debenture**") to be entered into on or after the date hereof by the Company and others in favour of the Security Agent.

3. **Intra-Group Loans**

3.1 The execution and delivery of and performance by the Company of its obligations under an intra-group loan agreement to be entered into on or after the date hereof between the Company, Grand Hotels (M) Acquisition Company I Limited and others (the "**Upstream Intra Group Loan Agreement**").

3.2 The execution and delivery of and performance by the Company of its obligations under an intra-group loan agreement to be entered into on or after the date hereof between the Company (as a borrower), Grand Hotels (M) Acquisition Company I Limited and others (the "**Downstream Intra Group Loan Agreement**").

4. **Release of Receivables**

The execution and delivery of and performance by the Company of its obligations under two novation agreements to be entered into on or after the date hereof between the Company, Grand Hotels (M) Acquisition Company I Limited and each of Forte UK Limited and Hospitality Holdings Limited, (the "**Novation Agreements**").

SECTION B

The principal terms on which assistance will be given are:

1. Senior Facility Agreement

1.1 By entering into the Accession Agreement the Company will accede to the Senior Facility Agreement as guarantor and/or borrower and consequently will jointly and severally and irrevocably and unconditionally:-

1.1.1 be liable for and guarantee to each Senior Finance Party punctual performance by each Senior Obligor of all of each Senior Obligor payment obligations under the Senior Finance Documents;

1.1.2 undertake with each Senior Finance Party that, whenever a Senior Obligor does not pay any amount when due under any Senior Finance Document, it will immediately on demand by the Senior Facility Agent pay that amount as if it were the principal obligor;

1.1.3 indemnify each Senior Finance Party immediately on demand against any loss or liability suffered by that Senior Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal;

1.2 By entering into the Accession Agreement the Company will accede to the Senior Facility Agreement and consequently will:

1.2.1 make certain representations to the Senior Finance Parties;

1.2.2 undertake to provide certain financial statements;

1.2.3 undertake to comply with certain financial covenants; and

1.2.4 undertake to comply with certain general undertakings including an undertaking not to create or permit to subsist any security over any of its assets and not to dispose of any of its assets, subject to certain exceptions.

2. Senior Mezzanine Facility Agreement

2.1 By entering into the Accession Agreement the Company will accede to the Senior Mezzanine Facility Agreement as guarantor and consequently will jointly and severally and irrevocably and unconditionally:-

2.1.1 guarantee to each Senior Mezzanine Finance Party punctual performance by each Senior Mezzanine Obligor of all of their payment obligations under the Senior Mezzanine Finance Documents;

2.1.2 undertake with each Senior Mezzanine Finance Party that, whenever a Senior Mezzanine Obligor does not pay any amount when due under any Senior Mezzanine Finance Document, it will immediately on demand by the Senior Mezzanine Facility Agent pay that amount as if it were the principal obligor;

- 2.1.3 indemnify each Senior Mezzanine Finance Party immediately on demand against any loss or liability suffered by that Senior Mezzanine Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal;
- 2.2 By entering into the Accession Agreement the Company will accede to Senior Mezzanine Facility Agreement as guarantor and consequently will:
 - 2.2.1 make certain representations to the Senior Mezzanine Finance Parties;
 - 2.2.2 undertake to provide certain financial statements;
 - 2.2.3 undertake to comply with certain financial covenants; and
 - 2.2.4 undertake to comply with certain general undertakings including an undertaking not to create or permit to subsist any security over any of its assets and not to dispose of any of its assets, subject to certain exceptions.
- 3. **Junior Mezzanine Facility Agreement**
 - 3.1 By entering into the Accession Agreement the Company will accede to the Junior Mezzanine Facility Agreement as guarantor and consequently will:-
 - 3.1.1 guarantee to each Junior Mezzanine Finance Party punctual performance by each Junior Mezzanine Obligor of all of their payment obligations under the Junior Mezzanine Finance Documents;
 - 3.1.2 undertake with each Junior Mezzanine Finance Party that, whenever a Junior Mezzanine Obligor does not pay any amount when due under any Junior Mezzanine Finance Document, it will immediately on demand by the Junior Mezzanine Agent pay that amount as if it were the principal obligor;
 - 3.1.3 indemnify each Junior Mezzanine Finance Party immediately on demand against any loss or liability suffered by that Junior Mezzanine Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal;
 - 3.1.4 make certain representations to the Junior Mezzanine Finance Parties;
 - 3.1.5 undertake to provide certain financial statements;
 - 3.1.6 undertake to comply with certain financial covenants;
 - 3.1.7 undertake to comply with certain general covenants including a covenant not to create or allow to exist any security over any of its assets, business and undertakings and not to dispose of any of its assets or receivables, subject to certain exceptions; and
 - 3.1.8 permit a Junior Mezzanine Finance Party, at any time when a default is a outstanding, set of any matured obligation owed to such Junior Mezzanine Finance Party by the Company under the Junior Mezzanine Finance Documents against any obligation (whether or not matured) owed by such

Junior Mezzanine Finance Party to the Company. Defined terms used in this paragraph shall, unless otherwise defined herein, have the meaning given to them in the Junior mezzanine Facility Agreement.

4. **Security for the Senior Debt, Senior Mezzanine Debt and Junior Mezzanine Debt**

By executing the Senior Debenture, the Company will:-

- 4.1.1 as primary obligor and not merely as surety, covenant with the Security Agent to pay or discharge the Secured Liabilities on the due date therefor in the manner provided in the relevant Secured Finance Documents;
- 4.1.2 agree that, subject to the terms of the Senior Debenture, upon the occurrence of an Event of Default and at any time thereafter, the Security Agent shall be entitled to appropriate moneys and/or assets to discharge any outstanding Secured Liabilities in such manner or order as it sees fit, any such appropriation to override any appropriation by any Obligor;
- 4.1.3 with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994 as security for the payment, discharge and performance of all Secured Liabilities at any time owed or due to the Secured Creditors (or any of them), to charge by way of a first legal mortgage or by way of first fixed charge in favour of the Security Agent (as agent and trustee for the Secured Creditors) all those assets set out in or referred to in Clause 4.1 (Fixed Charges) of the Senior Debenture;
- 4.1.4 subject to the terms of the Senior Debenture as continuing security for the payment, discharge and performance of all the Secured Liabilities at any time owed or due to the Secured Creditors (or any of them):
 - (a) with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994, mortgage and charge and agree to mortgage and charge to the Security Agent (as agent and trustee for the Secured Creditors) all Group Shares other than shares in companies incorporated in Scotland held now or in the future by it and/or any nominee on its behalf, the same to be a security by way of a first mortgage;
 - (b) pledge and assign and agree to pledge and assign to the Security Agent (as agent and trustee for the Lenders) all Group Shares in companies incorporated in Scotland; and
 - (c) with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994, mortgage, charge and assign and agree to mortgage, charge and assign to the Security Agent (as agent and trustee for the Secured Creditors) all the Related Rights accruing to all or any of the Group Shares held now or in the future by it and/or any nominee on its behalf, the same to be a security by way of a first mortgage or charge or, if such

Related Rights derive from shares in a company incorporated in Scotland, by way of assignation;

- 4.1.5 with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994, as continuing security for the payment, discharge and performance of the Secured Liabilities at any time owed or due to the Secured Creditors (or any of them), assign and agree to assign to the Security Agent (as agent and trustee for the Secured Creditors) all its right, title and interest (if any) in and to those agreements referred to in Clause 4.3(a)(Assignments) of the Senior Debenture;
- 4.1.6 with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994, as security for the payment, discharge and performance of the Secured Liabilities, charge (save to the extent charged under the Scottish Security, if at all) in favour of the Security Agent (as agent and trustee for the Secured Creditors) by way of a first floating charge all its undertaking and assets whatsoever and wheresoever both present and future, subject always to all mortgages, fixed charges and assignments created by or pursuant to the Senior Debenture or any other provision thereof;
- 4.1.7 agree to pay (on the basis of a full indemnity) all reasonable costs, charges and expenses properly incurred and all payments made by the Security Agent or any Receiver appointed under the Senior Debenture in the lawful exercise of the powers thereby conferred whether or not occasioned by any act, neglect or default of the Company, together with interest thereon;
- 4.1.8 agree that the Secured Creditors and every Receiver, attorney, manager, agent or other person appointed by the Security Agent under the Senior Debenture shall be entitled to be indemnified out of the Security Assets in respect of all liabilities and expenses properly incurred by them in the execution or purported execution of any of the powers, authorities or discretions vested in them pursuant thereto and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to the Security Assets and the Secured Creditors and that any such Receiver may retain and pay all sums in respect of the same out of any moneys received under the powers thereby conferred; and
- 4.1.9 agree to pay and, forthwith on demand, indemnify the Security Agent and each Secured Creditor against any liability it incurs in respect of any stamp, registration and similar Tax which is or becomes payable in connection with the entry into, performance or enforcement of the Senior Debenture.
- 4.2 The Senior Debenture contains a covenant for further assurance and a covenant not to create any other security or dispose of any asset, subject to specified exceptions.
- 4.3 Under the Senior Debenture the Company will permit the Security Agent and each Secured Creditor, where a Default has occurred and is continuing unwaived, to set off

any obligation which is due and payable by the Company against any obligation (whether or not matured) owed by the Security Agent or each Secured Creditor to the Company.

Defined terms used in this paragraph shall, unless otherwise defined herein, have the meaning given to them in the Senior Debenture.

5. **Priority Deed**

5.1 By entering into the Accession Agreement, the Company will accede to the Priority Deed and consequently will:-

- 5.1.1 acknowledge the relative priority and subordination arrangements entered into in respect of the Senior Debt, Senior Hedging Debt, Senior Mezzanine Debt the Junior Mezzanine Debt, the Excess Senior Debt, the Excess Senior Mezzanine Debt, the Intercompany Debt and the Investor Debt;
- 5.1.2 give the following undertakings with respect to the Junior Debt prior to the Secured Debt Discharge Date and subject to certain exceptions:
 - (a) no Obligor will (and each Obligor will procure that none of its subsidiaries will) pay, prepay or make any distribution in respect of or on account of, or purchase, redeem or acquire, any of the Junior Debt in cash or in kind;
 - (b) no Junior Creditor will demand or receive payment of, or any distribution in respect of or on account of, any Junior Debt in cash or kind or apply any money or property in or towards the discharge of any Junior Debt;
 - (c) no Junior Creditor or Obligor will discharge any Junior Debt by set-off, any right of combination of accounts or otherwise;
 - (d) no Obligor will (and each Obligor will procure that none of its Subsidiaries will) create or permit to subsist any Security Interest over any of its assets for any of the Junior Debt except (in the case of any Junior Debt which is also Secured Debt) under the Security Documents granted for the benefit of all the Secured Creditors in accordance with the priority and ranking specified I this Deed;
 - (e) no Obligor will (and each Obligor will procure that none of its Subsidiaries will) give any financial support to any person for, in respect of or in connection with the Junior Debt, except (in the case of any Junior Debt which is also Secured Debt) as contemplated or provided for by the original terms of the relevant Secured Finance Documents and in accordance with the priority and ranking specified in this Deed; and
 - (f) no Obligor or Junior Creditor will take or omit to take any action whereby the ranking and/or subordination of the Junior Debt provided for in this Deed may be impaired.

- 5.1.3 agree not to amend the terms of any Investor Document, Financial Indebtedness or any other Intercompany Document in a manner that might adversely affect the interests of the Majority Creditors or the relative priority and subordination arrangements of the Priority Deed, except as otherwise agreed to in writing by the Majority Creditors;
 - 5.1.4 restrict the Company's ability to repay in cash any Intercompany Debt owed by it to another Obligor or to receive in cash any Intercompany Debt owed to it by another Obligor in certain circumstances;
 - 5.1.5 agree to the subordination of Intercompany Debt in certain circumstances and agree to certain enforcement provisions on insolvency of an Obligor.
 - 5.1.6 pay each Secured Creditor the amount of all costs and expenses incurred by it in enforcing its rights under the Priority Deed against the Company.
- 5.2 Subject to Clauses 16.3 (Limit on Senior Debt) and 16.5 (Limit on Senior Mezzanine Debt) of the Priority Deed if at any time prior to the Secured Debt Discharge Date any Senior Hedging Bank, any Junior Creditor or the Guarantee Provider receives or recovers a payment or distribution in cash or in kind (including by way of set-off or combination of accounts):
- (i) of, or on account of, any of the Senior Hedging Debt which is prohibited by Clause 5.2 (Undertakings of Senior Hedging Banks) of the Priority Deed;
 - (ii) of, or on account of, any of the Junior Debt which is not permitted by Clause 7 (Permitted Payments) or, in the case of Senior Mezzanine Debt or Junior Mezzanine Debt, not made in accordance with the provisions of Clause 13 (Proceeds of Enforcement) of the Priority Deed, unless such receipt or recovery is permitted under Clause 7 (Permitted Payments) of the Priority Deed;
 - (iii) from (or on behalf of) any Obligor or any other member of the Group on account of the purchase, redemption or acquisition of any Junior Debt otherwise than to the extent permitted by Clause 7 (Permitted Payments) of the Priority Deed;
 - (iv) from (or on behalf of) any Obligor or any other member of the Group which is prohibited by Clause 18.3 (Non-Subrogation) of the Priority Deed,
- (each such payment or distribution being a "**Turnover Receipt**") the receiving or recovering Senior Hedging Bank, Junior Creditor or the Guarantee Provider (as the case may be) will promptly notify the Security Agent and will on demand pay to the Security Agent for application as provided in Clause 13 (Proceeds of Enforcement) of the Priority Deed an amount determined by the Security Agent to be equal to the lesser of:

- (a) if prior to the Senior Discharge Date, the outstanding balance of the Senior Debt (excluding the Excess Senior Debt) and Senior Hedging Debt, if after the Senior Discharge Date but prior to the Senior Mezzanine Discharge Date, the outstanding balance of the Senior Mezzanine Debt (excluding the Excess Senior Mezzanine Debt) and otherwise the outstanding balance of the Junior Mezzanine Debt; and
- (b) the amount of such Turnover Receipt,

less the third party costs and expenses (if any) reasonably incurred by the Senior Hedging Bank or Junior Creditor concerned or the Guarantee Provider, as the case may be, in receiving or recovering such Turnover Receipt. Pending demand and/or payment to the Security Agent under Clause 8 of the Priority Deed of any amount, the receiving or recovering Senior Hedging Bank or Junior Creditor or the Guarantee Provider (as the case may be) will hold such amount on trust for the beneficiaries entitled thereto (according to the ranking of entitlements set out in Clause 13 (Proceeds of Enforcement) of the Priority Deed).

- 5.3 The Priority Deed also provides that the Company will indemnify each Senior Hedging Bank and Junior Creditor on demand for the amount of any Turnover Receipt paid by it to the Security Agent and such third party costs and expenses incurred by it.

Defined terms used in this paragraph 5 shall have the meaning given to them in the Priority Deed.

6. Intra-Group Loans

- 6.1 By entering into the Upstream Intra-Group Loan Agreement the Company will make loans available to Grand Hotels (M) Acquisition Company I Limited that will facilitate the reduction of liabilities incurred for the purpose of the acquisition of the Company or the Company's holding company and the upstreaming of the Company's surplus cash.
- 6.2 By entering into the Downstream Intra-Group Loan Agreement the Company will have loans made available to it by Grand Hotels (M) Acquisition Company I Limited. The repayment of principal and interest in relation to those loans may facilitate the reduction of liabilities incurred for the purpose of the acquisition of the Company or the Company's holding company.

7. Release of Receivables

By entering into the Novation Agreements the Company will be releasing Forte UK Limited and Hospitality Holdings Limited (which are in the same group as that from which the Company or the Company's holding company is being acquired) from payment obligations and Grand Hotels (M) Acquisition Company I Limited (a Group Company) will assume equivalent payment obligations.

SECTION C

Definitions

In addition to terms defined elsewhere in this form:

"Group Company" means Parent Holdco or any of its subsidiaries;

"Junior Mezzanine Agent" means Mable Commercial Funding Limited as Junior Mezzanine Agent under the Junior Mezzanine Facility Agreement;

"Junior Mezzanine Debt" means all present and future liabilities (actual or contingent) payable or owing by any Junior Mezzanine Obligor to any Junior Mezzanine Finance Party under or in connection with the Junior Mezzanine Finance Documents, whether or not matured and whether or not liquidated;

"Junior Mezzanine Facility Agreement" means the Junior Mezzanine Facility Agreement dated 29 June 2001 (as subsequently amended and re-stated) relating to a £160,000,000 term loan facility between Parent Holdco as the Borrower, Grand Hotels (M) Acquisition Company I Limited as Original Guarantor, the Junior Mezzanine Agent and others;

"Junior Mezzanine Finance Documents" has the meaning given to it in the Junior Mezzanine Facility Agreement;

"Junior Mezzanine Finance Party" means a Finance Party under and as defined in the Junior Mezzanine Facility Agreement;

"Junior Mezzanine Obligor" means an Obligor under and as defined in the Junior Mezzanine Facility Agreement;

"Parent Holdco" means Grand Hotels (M) Intermediate Holding Company I Limited;

"Priority Deed" means the priority deed dated on or after the date hereof between, amongst others, Parent Holdco, certain of its subsidiaries, the Senior Finance Parties, the Senior Mezzanine Finance Parties, the Junior Mezzanine Finance Parties and the Security Agent.

"Secured Creditors" means has the meaning given to it in the Priority Deed;

"Secured Liabilities" means has the meaning given to it in the Senior Debenture;

"Security Agent" means CIBC World Markets plc;

"Senior Debt" means all present and future liabilities (actual or contingent) payable or owing by any Senior Obligor to any Senior Finance Party under or in connection with the Senior Finance Documents, whether or not matured and whether or not liquidated;

"Senior Facility Agent" means CIBC World Markets Plc as Facility Agent under the Senior Facility Agreement;

"Senior Facility Agreement" means the Senior Facility Agreement dated 25 May 2001, as amended and restated on or after the date hereof, relating to a £750,000,000 term loan facility, a £110,000,000 capital expenditure term loan facility and £25,000,000 revolving credit facility between Parent Holdco and certain of its subsidiaries as Borrowers and/or Guarantors, CIBC World Markets Plc and Merrill Lynch International as Arrangers, the Original Lenders (as defined therein) and CIBC World Markets Plc as Facility Agreement, Security Agent and Issuing Bank (as subsequently amended and restated);

"Senior Finance Documents" has the meaning given to it in the Senior Facility Agreement;

"Senior Finance Party" means a Finance Party under and as defined in the Senior Facility Agreement;

"Senior Hedging Debt" means all present and future liabilities (actual or contingent) payable or owing by any Obligor (as defined in the Priority Deed) to any Senior Hedging Bank (as defined in the Priority Deed) under or in connection with the Senior Hedging Documents (as defined in the Priority Deed), whether or not matured and whether or not liquidated;

"Senior Mezzanine Agent" means CIBC World Markets Plc as Senior Mezzanine Agent under the Senior Mezzanine Facility Agreement;

"Senior Mezzanine Debt" means all present and future liabilities (actual or contingent) payable or owing by any Senior Mezzanine Obligor to any Senior Mezzanine Finance Party under or in connection with the Senior Mezzanine Finance Documents, whether or not matured and whether or not liquidated;

"Senior Mezzanine Facility Agreement" means the Senior Mezzanine Facility Agreement dated 25 May 2001, as amended and restated on or after the date hereof, relating to a £75,000,000 term loan facility between Parent Holdco as Borrower and others as Guarantors, CIBC World Markets Plc and Merrill Lynch International as Arrangers, the Original Lenders (as defined therein) and CIBC World Markets Plc as Senior Mezzanine Agent and Security Agent (as subsequently amended and restated);

"Senior Mezzanine Finance Documents" has the meaning given to it by the Senior Facility Agreement;

"Senior Mezzanine Finance Party" means a Finance Party under and as defined in the Senior Mezzanine Facility Agreement;

"Senior Mezzanine Obligor" means an Obligor under and as defined in the Senior Mezzanine Facility Agreement; and

"Senior Obligor" means an Obligor under and as defined in the Senior Facility Agreement.



KPMG Audit Plc

PO Box 486
1 Puddle Dock
London EC4V 3PD
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 2965
Telex 8811541 KPMGLO G
DX 38050 Blackfriars

Private & confidential

The Directors
Forte Holdings Limited
166 High Holborn
LONDON
WC1V 6TT

Our Ref 36

6 July 2001

Dear Sirs

Auditors' report to the directors of Forte Holdings Limited (the "Company") pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 6 July 2001 in connection with the proposal that Forte Hotels (UK) Limited, of which the Company is a holding company, should give financial assistance for the purchase of the entire issued share capital of Forte Limited, the holding company of the Company. We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances

Yours faithfully

KPMG Audit plc

KPMG Audit Plc

Registered Auditors



KPMG, a partnership established under English law, is a member of KPMG International, a Swiss association

KPMG is registered to carry on audit work and authorised to carry on investment business

by the Institute of Chartered Accountants in England and Wales. The principal place of

business is 8 Salisbury Square, London EC4Y 8BB where a list of partners' names is open to inspection