

FORTE HOLDINGS LIMITED

(Registered Number 389061)

REPORT AND ACCOUNTS

52 WEEKS ENDED 25 SEPTEMBER 1999



FORTE HOLDINGS LIMITED

DIRECTOR'S REPORT

The Director presents its Report and Accounts for the 52 weeks ended 25 September 1999.

PRINCIPAL ACTIVITY

The Company is an investment holding company.

TRADING RESULTS

The profit on ordinary activities before taxation for the period was £55,476,000 (1998: £53,518,000).

DIVIDENDS

The Director recommends the payment of a first interim and a second interim dividend for the period on the ordinary and "A" ordinary shares of £40,000,000 (1.85 pence per share) (1998: £nil) and £11,000,000 (0.51 pence per share) (1998: £nil) respectively.

DIRECTOR

The Director of the Company as at 25 September 1999 was Forte Hotels Limited.

DIRECTOR'S INTERESTS


Forte Hotels Limited and Forte Holdings Limited are both in the same Group and are wholly owned subsidiaries of Granada Group PLC.

Forte Hotels Limited did not have any interests in the issued share capital of the Company.

ELECTIVE RESOLUTIONS

The Company has passed Elective resolutions to dispense with the laying of the Annual Report and Accounts before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

By Order of the Board


Forte Nominees Limited
Secretary

27/3 / 2000
Registered office
166 High Holborn
LONDON WC1V 6TT

FORTE HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

It is the responsibility of the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The Directors consider that, in preparing the financial statements on pages 4 to 11, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed and that it is appropriate to use a going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard assets of the Company and to prevent and detect fraud and other irregularities.

FORTE HOLDINGS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF FORTE HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

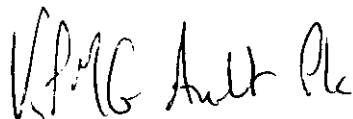
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 25 September 1999 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

5th April 2000

FORTE HOLDINGS LIMITED**PROFIT & LOSS ACCOUNT****FOR THE 52 WEEKS ENDED 25 SEPTEMBER 1999**

	52 weeks ended 25 September 1999 £'000	52 weeks ended 26 September 1998 £'000
Dividend receivable from subsidiary undertaking	11,000	-
OPERATING PROFIT	11,000	-
Interest receivable (Note 3)	44,476	53,518
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 2)	55,476	53,518
Tax on profit on ordinary activities (Note 4)	(13,564)	(16,592)
PROFIT FOR THE FINANCIAL YEAR	41,912	36,926
DIVIDENDS (Note 5)	(51,000)	-
RETAINED (LOSS) / PROFIT FOR THE PERIOD (Note 10)	(9,088)	36,926

The Company had no recognised gains or losses during the period other than those reflected in the above profit and loss account.

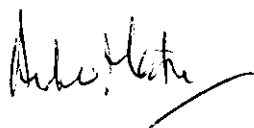
There is no difference between the reported result for the period and that which would be reported under the historical cost convention.

The Company's results were derived wholly from continuing operations.

FORTE HOLDINGS LIMITED**BALANCE SHEET - AS AT 25 SEPTEMBER 1999**

	25 September 1999 £'000	26 September 1998 £'000
FIXED ASSETS		
Investments (Note 6)	175,487	175,487
CURRENT ASSETS		
Debtors - amounts falling due within one year (Note 7)	1,019,395	987,969
CREDITORS - Amounts falling due within one year (Note 8)	(428,124)	(387,610)
NET CURRENT ASSETS	591,271	600,359
NET ASSETS	766,758	775,846
CAPITAL AND RESERVES		
Called up share capital (Note 9)	544,137	544,137
Share premium (Note 10)	11,711	11,711
Profit & loss reserve (Note 10)	210,910	219,998
SHAREHOLDERS' FUNDS		
Equity	762,040	771,128
Non-equity	4,718	4,718
TOTAL AMOUNT OF SHAREHOLDERS' FUNDS (Note 10)	766,758	775,846

Approved by the Board on 27 March 2000 and signed on its behalf by



Director
Forte Hotels Limited

FORTE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 25 SEPTEMBER 1999

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards, and under the historical cost convention.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare consolidated accounts.

Under Financial Reporting Standard 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent company includes the Company's cash flows in its own published consolidated accounts.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The average number of personnel employed by the Company during the period was Nil (1998: Nil).

The Director did not receive any emoluments in respect of its services to the Company during the period (1998: £Nil).

Auditor's remuneration has been borne by Forte (UK) Limited.

FORTE HOLDINGS LIMITED**NOTES TO THE ACCOUNTS - 25 SEPTEMBER 1999 (CONTINUED)****3 INTEREST RECEIVABLE**

	52 weeks ended 25 September 1999 <u>£'000</u>	52 weeks ended 26 September 1998 <u>£'000</u>
Interest receivable from ultimate parent undertaking	3,074	3,546
Interest receivable from fellow subsidiary undertaking	41,402	49,971
Other interest receivable	-	1
	<u>44,476</u>	<u>53,518</u>

4 TAXATION

	52 weeks ended 25 September 1999 <u>£'000</u>	52 weeks ended 26 September 1998 <u>£'000</u>
Corporation tax at 30.5% (1998: 31%)	13,565	16,591
Adjustments to prior years' tax provisions	(1)	1
	<u>13,564</u>	<u>16,592</u>

5 DIVIDENDS

	52 weeks ended 25 September 1999 <u>£'000</u>	52 weeks ended 26 September 1998 <u>£'000</u>
Equity Dividends		
Interim ordinary dividend proposed (1.85 pence per share)	40,000	-
Second interim ordinary dividend proposed (0.51 pence per share)	11,000	-
	<u>51,000</u>	<u>-</u>

The holders of the cumulative preference shares have waived irrevocably their rights to all outstanding dividends at 25 September 1999.

FORTE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 25 SEPTEMBER 1999 (CONTINUED)

6 FIXED ASSETS - INVESTMENTS

Shares at cost

Subsidiary undertakings

£'000

At 26 September 1998 and 25 September 1999

175,487

The principal subsidiary undertakings of the Company all of which operate in their country of incorporation are

	Country of incorporation	% of equity held	Principal activity
Direct subsidiary undertakings			
Forte Hotels (UK) Limited	UK	100	Holding company
Forte International Limited	UK	100	Holding company
Indirect subsidiary undertakings			
Apollo Hotel BV	The Netherlands	100	Hotel operator
Excelsior Hotel Gallia SpA	Italy	50.4#	Hotel operator
Forte Finance NV	The Netherlands	100	Holding company
Forte International (Bermuda) Limited	Bermuda	100	Holding company
Forte Morocco SARL	Morocco	100	Hotel operator
Forte USA Inc	USA	100	Holding company
Grands Hotels Finanzierungs AG	Switzerland	100	Holding company
Grosvenor Theatrical Productions Limited	UK	100	Entertainment and Media Production services
Hotel Ritz Madrid SA	Spain	99	Hotel operator
Lusotel Industria Hoteleira Limitada	Portugal	100	Hotel operator
Quaglino's Limited	UK	99	Property management
THF Oil Limited	UK	100	Gas production

The remaining equity of this company is held by other Granada group undertakings.

All companies operate in their country of incorporation. The percentage of voting rights held by the Company in each subsidiary undertaking is equal to the percentage of equity shown above.

The Company held an indirect interest in 47% of the issued ordinary share capital of Sociedade Turistica da Penina SARL which is registered in Portugal. The Granada Group in total owns 91% of the issued share capital of this company.

FORTE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 25 SEPTEMBER 1999 (CONTINUED)

6 FIXED ASSETS - INVESTMENTS (CONTINUED)

In the opinion of the Director the value of the Company's investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

7 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Dividends receivable from subsidiary undertakings	11,000	-
Amounts due from ultimate parent undertaking	52,004	54,845
Amounts due from subsidiary undertakings	282,964	279,552
Amounts due from fellow subsidiary undertakings	673,427	653,572
	<u>1,019,395</u>	<u>987,969</u>

8 CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Corporation tax	12,546	17,258
Proposed ordinary dividends	51,000	-
Amounts due to immediate parent undertaking	364,578	370,352
	<u>428,124</u>	<u>387,610</u>

FORTE HOLDINGS LIMITED**NOTES TO THE ACCOUNTS - 25 SEPTEMBER 1999 (CONTINUED)****9 CALLED UP SHARE CAPITAL**

	1999 £'000	1998 £'000
Authorised		
1,500,000 7% cumulative preference shares of £1 each	1,500	1,500
2,816,579 7% second cumulative preference shares of £1 each	2,817	2,817
401,500 4.5% second cumulative preference shares of £1 each	401	401
Total preference share capital	<u>4,718</u>	<u>4,718</u>
2,182,000,000 Ordinary shares of 25p each	545,500	545,500
36,000,000 "A" Ordinary shares of 25p each	9,000	9,000
Total ordinary share capital	<u>554,500</u>	<u>554,500</u>
781,921 Unclassified shares of £1 each	782	782
Total authorised share capital	<u>560,000</u>	<u>560,000</u>
Issued, allotted and fully paid		
1,500,000 7% cumulative preference shares of £1 each	1,500	1,500
2,816,579 7% second cumulative preference shares of £1 each	2,817	2,817
401,500 4.5% second cumulative preference shares of £1 each	401	401
Total preference share capital	<u>4,718</u>	<u>4,718</u>
2,132,852,626 Ordinary shares of 25p each	533,213	533,213
24,824,192 "A" Ordinary shares of 25p each	6,206	6,206
Total ordinary share capital	<u>539,419</u>	<u>539,419</u>
Total share capital	<u>544,137</u>	<u>544,137</u>

The cumulative preference shares carry rights to receive fixed dividends, however the holders have waived irrevocably their rights to all outstanding dividends at 25 September 1999. On a winding up the holders are entitled to receive the nominal value of the shares in priority to ordinary shareholders. The cumulative preference shares carry voting rights only if dividends remain unpaid or in the event of a winding up.

FORTE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 25 SEPTEMBER 1999 (CONTINUED)

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Profit and loss reserve £'000	Total 1999 £'000	Total 1998 £'000
At 26 September 1998	544,137	11,711	219,998	775,846	738,920
(Loss) / Profit for the period	-	-	(9,088)	(9,088)	36,926
At 25 September 1999	<u>544,137</u>	<u>11,711</u>	<u>210,910</u>	<u>766,758</u>	<u>775,846</u>
Equity				762,040	771,128
Non-equity				<u>4,718</u>	<u>4,718</u>
				<u>766,758</u>	<u>775,846</u>

11 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Granada Group PLC, the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the Group, headed by Granada Group PLC.

The Director confirms that there were no related party transactions other than those disclosed in these accounts.

12 ULTIMATE PARENT AND CONTROLLING COMPANY AND PARENT UNDERTAKINGS OF SMALLEST AND LARGEST GROUP OF WHICH THE COMPANY IS A MEMBER

The Director considers the ultimate holding and controlling company to be Granada Group PLC, a company registered in England. The accounts of the ultimate holding company, which heads both the largest and smallest group in which the results of the Company are consolidated are available to the public from the following address:

Stornoway House, 13 Cleveland Row, London SW1A 1GG.

The immediate holding and controlling company is Forte Limited, a company registered in England.