

FORTE INTERNATIONAL HOLDINGS LIMITED

(formerly 243rd Shelf Trading Company Limited)

(Registered Number: 3165891)

REPORT AND ACCOUNTS

PERIOD FROM DATE OF INCORPORATION
ON 28 FEBRUARY 1996 TO 28 SEPTEMBER 1996



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FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
DIRECTORS' REPORT

The Directors present their Report and Accounts for the period from date of incorporation on 28 February 1996 to 28 September 1996.

INCORPORATION

The Company was incorporated on 28 February 1996 as 243rd Shelf Trading Company Limited and changed its name on 19 July 1996 to Forte International Holdings Limited.

PRINCIPAL ACTIVITY

The Company is an investment holding company.

The investment in Forte International BV was transferred to the Company on 5 September 1996 in the course of the liquidation of August Hotels Limited, a fellow subsidiary undertaking. Details of the net assets transferred and the consideration paid are set out in note 7.

TRADING RESULTS

The retained loss of £93,000 was transferred to reserves.

DIVIDEND

The Directors do not recommend the payment of a dividend for the period on the Ordinary shares. A dividend of £93,000 has been accrued on the Cumulative Participating Redeemable Preference shares.

DIRECTORS

The Directors of the Company as at 28 September 1996 were as follows:

S Cartwright

GJ Parrott

HE Staunton

HJ Tautz

Serjeants' Inn Nominees Limited and Loviting Limited were appointed as Directors of the Company on the date of incorporation and resigned on 29 July 1996.

HJ Tautz and HE Staunton were appointed as Directors on 29 July 1996. S Cartwright and GJ Parrott were appointed as Directors on 29 August 1996.

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

None of the Directors had a direct interest in the issued share capital of the Company.

The beneficial interests of the Directors in the issued share capital of Granada Group PLC were as follows:

	At 28 September 1996	At 28 February 1996 or date of appointment (where later)
S Cartwright	1,078	1,078
HJ Tautz	Nil	Nil

The following Directors held share options under the Granada Group PLC Executive and Savings-Related Share Option schemes:

	At 28 September 1996	At 28 February 1996 or date of appointment (where later)	Granted during period	Exercised during period
S Cartwright	64,369	64,369	20,000	Nil
HJ Tautz	10,540	10,540	10,200	Nil

GJ Parrott and HE Staunton are Directors of Granada Group PLC and as such their Interests are shown in that company's Report and Accounts.

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 5 to 10, 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 INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
DIRECTORS' REPORT (continued)

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


HJ Tautz
Secretary

8 April 1997
Registered office:
166 High Holborn
LONDON WC1V 6TT

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)**

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 28 September 1996 and its loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
32 London Bridge Street
London SE1 9SY

8 April 1997

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
PROFIT & LOSS ACCOUNT FOR THE PERIOD
FROM DATE OF INCORPORATION TO 28 SEPTEMBER 1996

	£'000
NON-EQUITY DIVIDENDS (Note 3)	<u>(93)</u>
LOSS RETAINED FOR THE PERIOD (Note 6)	<u>(93)</u>

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 loss for the period and that which would be reported under the historical cost convention.

The notes on pages 7 to 10 form part of these financial statements.

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
BALANCE SHEET - AS AT 28 SEPTEMBER 1996

	£'000
FIXED ASSETS	
Investments (Note 4)	<u>800,000</u>
NET ASSETS	<u>800,000</u>
CAPITAL AND RESERVES	
Called up share capital (Note 5)	53,976
Merger reserve (Note 6)	746,024
Profit & loss reserve (Note 6)	<u>-</u>
SHAREHOLDERS' FUNDS	
Equity	785,873
Non-equity	<u>14,127</u>
	<u>800,000</u>

The notes on pages 7 to 10 form part of these financial statements.

APPROVED BY THE BOARD ON

8 April 1997


DIRECTOR

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
ACCOUNTING POLICIES

I ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985, as amended by the Companies Act 1989, and applicable Accounting Standards.

II SUBSIDIARY UNDERTAKINGS

Shares in subsidiary undertakings are carried at cost less goodwill written off by way of merger relief. Any diminution in carrying value below historical cost is charged to profit and loss account.

NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996

1 OPERATING COSTS

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

2 DIRECTORS' EMOLUMENTS

The Directors, none of whom spend a material amount of time working for the Company, received £nil in respect of their services to the Company during the period.

3 NON-EQUITY DIVIDENDS

	£'000
Undeclared non-equity dividend accrued on Cumulative Participating Redeemable Preference shares	<u>93</u>

4 FIXED ASSETS - INVESTMENTS

	£'000
Shares at cost	
Transferred from August Hotels Limited	<u>800,000</u>
At 28 September 1996	<u>800,000</u>

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996

4 FIXED ASSETS - INVESTMENTS (continued)

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

	Country of incorporation	% of equity held
Direct subsidiary undertakings		
Forte International BV	The Netherlands	100
Indirect subsidiary undertakings		
Corela SA	France	100
Forte Bermuda Limited	Bermuda	100
Forte France SA	France	100
Forte Holdings Ireland Limited	Ireland	100
Forte Hotels (Deutschland) GmbH	Germany	100
Forte Hotel Eden Roma SpA	Italy	100
Forte Hotel Fiuggi SpA	Italy	100
Forte Ireland Limited	Ireland	100
Forte Management SA	Switzerland	100
Forte Travelodge Ireland Limited	Ireland	75
Hotel da la Tremoille SA	France	100
Hotel Plaza Athenée SA	France	100
International Airport Hotel Limited	Ireland	75
Le Meridien Piccadilly Limited	UK	100
Mediterranea Iniziative Turistiche Albergheira SpA	Italy	100
Meridien Hotels Inc	USA	100
Meridien Hotels Investments Group Inc	USA	100
Meridien SA	France	100
Phoenicia Hotel Company Limited	Malta	100
Société d'Exploitation de l'Hotel George V	France	100
Société de Gestion des Restaurants-Bars sur les Autoroutes SA	France	100
Société des Hôtels Meridien SA	France	100
Société Immobilière de l'Hotel George V SA	France	100

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.

In the opinion of the Directors 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.

Group accounts are not submitted as the Company is a wholly owned subsidiary undertaking of Granada Group PLC, the ultimate parent undertaking, which is incorporated in England.

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996

5 CALLED UP SHARE CAPITAL

	£'000
Authorised	
180,000,000 Ordinary shares of 25p each	45,000
68,000,000 Cumulative Participating Redeemable Preference shares of 25p each	17,000
	<u>62,000</u>
Allotted and fully paid	
159,768,442 Ordinary shares of 25p each	39,942
56,134,858 Cumulative Participating Redeemable Preference shares of 25p each	14,034
	<u>53,976</u>

The Company was incorporated on 28 February 1996 with allotted share capital of two Ordinary £1 shares. On 29 August 1996 each £1 Ordinary share was subdivided into four shares of 25p. On 5 September 1996 a further 159,768,434 Ordinary 25p shares and 56,134,858 Cumulative Participating Redeemable Preference 25p shares "CPRP shares" were allotted.

CPRP shares are redeemable at par in whole or in part by the holders or the Company at any time after 14 August 1999. Any shares left in issue will be redeemed by the Company on 15 August 2001. CPRP shares carry a fixed dividend of 5.4873% per annum and a participating dividend of 0.04% of the dividend paid on Ordinary shares. On a winding up the holders are entitled to receive arrears and accruals of dividends, the nominal value of the shares and a further 0.04% of the assets of the Company available for distribution, subject to a maximum of 30p per share. CPRP shares only carry voting rights in the event that dividends remain unpaid, on a winding up or in relation to a resolution to vary the special rights attaching to the CPRP shares.

FORTE INTERNATIONAL HOLDINGS LIMITED
(formerly 243rd Shelf Trading Company Limited)
NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996 (continued)

6 MOVEMENT IN SHAREHOLDERS FUNDS

	Share capital £'000	Merger reserve £'000	Profit and loss reserve £'000	Total £'000
At 28 February 1996	-	-	-	-
Shares issued in the period	53,976	746,024	-	800,000
Retained loss for the period	-	-	(93)	(93)
Undeclared non-equity dividend	-	-	93	93
At 28 September 1996	<u>53,976</u>	<u>746,024</u>	<u>-</u>	<u>800,000</u>

The Company has taken advantage of Section 131 of the Companies Act 1985 and created a merger reserve in respect of the premium on those shares issued to acquire the shares in Forte International BV.

7 ASSETS TRANSFERRED IN THE COURSE OF THE LIQUIDATION OF AUGUST HOTELS LIMITED

The investment in Forte International BV was transferred to the Company on 5 September 1996 in the course of the liquidation of August Hotels Limited, a fellow subsidiary undertaking. Details of the net assets transferred and the consideration paid are set out below:

Book value of net assets transferred and fair value to the company	£'000
Investment in subsidiary undertakings	800,000
	<u>800,000</u>
Consideration	
Share capital issued	<u>800,000</u>

8 ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent undertaking is Granada Group PLC, a company incorporated in England. Copies of the group accounts of Granada Group PLC can be obtained from the following address: Stornoway House, 13 Cleveland Row, London, SW1A 1GG.