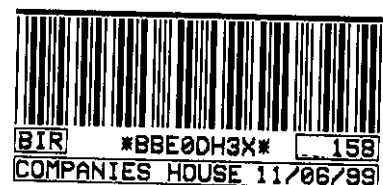


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## **Bass Investments Number 2 Limited**

Financial Statements 30 September 1998  
together with directors' report and report of the auditors

Registered number: 3101526



## Directors' report

For the year ended 30 September 1998

The directors submit their annual report on the affairs of the Company, together with the financial statements and report of the auditors, for the year ended 30 September 1998.

### Principal activity and business review

The principal activity of the company continues to be that of an investment company.

The profit for the period before taxation amounted to £708,000 (1997 £3,524,000). Taxation charged against the profit for the period was £82,000 (1997 £199,000), leaving a profit after taxation of £626,000 (1997 £3,325,000) to be transferred to reserves.

No dividend is proposed (1997 £nil).

### Subsequent events

No significant events affecting the Company have occurred since the balance sheet date.

### Directors and their interests

The following are the names of the directors who, at any time during the period, were directors of the Company:

I A M Muir  
M J N Bridge  
A E Stern

The directors and their families had the following interests in the ordinary shares of Bass PLC at 30 September 1998:

Name of director	1998		1997
	'B' shares of 95.5p*	Ord shares of 28p*	Ord shares of 25p*
I A M Muir	-	2,638	-
M J N Bridge	965	1,734	1,465
A E Stern	1,259	5,549	5,593
	<u>2,224</u>	<u>9,921</u>	<u>7,058</u>

The above shareholdings, which are all beneficial, include the ordinary shares held by the Trustees of the Bass Employee Profit Share Scheme.

\* On 9 February 1998, pursuant to a reorganisation of share capital, details of which are set out in the Bass PLC financial statements, the nominal value of the ordinary shares of Bass PLC was changed from 25p to 28p and holdings were adjusted on the basis of 25 for every 28 held. As part of that reorganisation, ordinary shareholders also received redeemable 'B' shares. With the exception of those shares above, which are held in trust by the trustees of the Bass Employee Profit Share Scheme, the Directors have redeemed their 'B' shares.

## Directors' report (continued)

For the year ended 30 September 1998

### Directors' Options

Name of Director	30 Sept 1998	Granted during period	Exercised	30 Sept 1997	Weighted Average Option Price	Option price	Market price*
M J N Bridge		900				1014.5p	
			11,800			520p	1012p
			12,600			591p	1150p
A	-				-		
B	13,512				716p		
	<u>13,512</u>	<u>900</u>	<u>24,400</u>	<u>37,012</u>	<u>716p</u>		
I A M Muir		3,200				1014.5p	
A	43,400				512p		
B	25,248				784p		
	<u>68,648</u>	<u>3,200</u>	<u>-</u>	<u>65,448</u>	<u>612p</u>		
A E Stern		1,500				1014.5p	
A	62,576				474p		
B	6,989				738p		
	<u>69,565</u>	<u>1,500</u>	<u>-</u>	<u>68,065</u>	<u>500p</u>		

Options are held under the Bass Executive Share Option Scheme and the Bass Employee Savings Share Scheme.

Shares under option at the end of the period are designated as:

A where the options are exercisable

B where the options are not yet exercisable

\* middle market price on the date of exercise of the option

### Contracts and arrangements

No director was materially interested in any contract of significance to the Company's business.

### Fixed assets

Information relating to fixed asset investments is given in note 4.

### Year 2000 electronic systems

Programmes to deal with the potential impact of the Year 2000 issue on the Company are being managed by Bass PLC (the ultimate parent undertaking of the Company). The directors' report and operating and financial review of the Bass PLC Annual Report 1998 contain disclosures relating to these programmes and the Year 2000 issue.

## Directors' report (continued)

For the year ended 30 September 1998

### Auditors

Ernst & Young continue as Auditors under the terms of an Elective Resolution of the Company passed pursuant to Section 386 of the Companies Act 1985.

20 North Audley Street  
London  
W1Y 1WE

Date 8/6/99

By order of the Board,



Secretary

## Directors' report

For the year ended 30 September 1998

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 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 the financial year.

Following discussions with the auditors, the directors consider that, in preparing the financial statements on pages 6 to 11 inclusive, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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 the assets of the Company and to prevent and detect fraud and other irregularities.

## Report of the Auditors

to the members of Bass Investments Number 2 Limited

We have audited the financial statements on pages 6 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

### Respective Responsibilities of Directors and Auditors

As described on page 4, the Company's directors are solely responsible for the preparation of the financial statements including the selection of suitable accounting policies. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

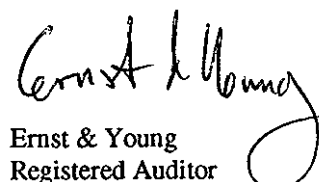
### Basis of Opinion

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 affairs of the Company as at 30 September 1998 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Registered Auditor  
Birmingham

Date 11 June 1999

## Accounting policies

Principal accounting policies, as applied consistently throughout the period are:

### *Basis of accounting*

The financial statements are prepared under the historical cost convention, drawn up to comply with applicable accounting standards. Group financial statements have not been prepared because the Company is a wholly owned subsidiary undertaking of another UK company (see note 10).

### *Investments*

Current asset investments are stated at cost plus increases in value, recorded on an accruals basis.

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

## Profit and Loss Account

For the year ended 30 September 1998

	Notes	1998 £000	1997 £000
Investment gains	1	708	3,600
Administrative expenses	2	-	(23)
Other operating expenses – loss on disposal of investment		-	(53)
<b>Profit on ordinary activities before taxation</b>		<u>708</u>	<u>3,524</u>
Tax on profit on ordinary activities	3	(82)	(199)
<b>Retained for reinvestment in the business</b>		<u>626</u>	<u>3,325</u>

There are no unrecognised gains/losses during the period. All the activities in 1998 are continuing activities.

Notes on pages 9 to 11 form an integral part of these financial statements.

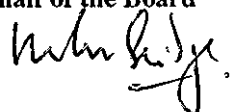


**Balance sheet**  
30 September 1998

	Notes	1998 £000	1997 £000
<b>Fixed assets</b>			
Investments	4	53,353	-
<b>Current assets</b>			
Debtors	6	4,149	3,851
Unlisted investments		10	52,953
Cash at bank		2	1
		<u>57,514</u>	<u>56,805</u>
Creditors: Amounts falling due within one year	7	(866)	(783)
<b>Net assets</b>		<u>56,648</u>	<u>56,022</u>
<b>Capital and reserves – equity interests</b>			
Share capital	8	50,100	50,100
Profit and loss account	8	6,548	5,922
<b>Shareholders' funds</b>		<u>56,648</u>	<u>56,022</u>

Signed on behalf of the Board

Director



Date

8/6/99

Notes on pages 9 to 11 form an integral part of these financial statements.

## Notes to the financial statements

<b>1</b>	<b>Investment gains</b>	<b>1998</b>	<b>1997</b>
		<b>£000</b>	<b>£000</b>
	Accrued increase in value of investment	414	2,938
	Interest due on investments	1	129
	Interest due from ultimate parent undertaking	293	533
		<u>708</u>	<u>3,600</u>

<b>2</b>	<b>Administrative expenses</b>	<b>1998</b>	<b>1997</b>
		<b>£000</b>	<b>£000</b>
	Advisors fees	-	23
		<u>-</u>	<u>23</u>

<b>3</b>	<b>Tax on ordinary activities</b>	<b>1998</b>	<b>1997</b>
		<b>£000</b>	<b>£000</b>
	The tax charge is made up as follows:		
	UK corporation tax @ 31% (1997 – 32%)	91	199
	Overprovision in prior year	(9)	-
		<u>82</u>	<u>199</u>

The effective rate is below 31% as no current tax charge arises on the accrued increase in the value of investments held at the year end – accrued increases are taxable only on disposal of those investments. No deferred tax liability arises as there is no intention presently to dispose of the investments.

<b>4</b>	<b>Fixed asset investments</b>	<b>Shares in Group Undertakings £000</b>
	At 1 October 1997	-
	Transfer from current asset investments	53,353
	At 30 September 1998	<u>53,353</u>

The principal subsidiary, wholly acquired on 13 November 1997 in accordance with a share purchase agreement dated 22 November 1996, is Culross Finance Limited, a company incorporated and registered in the Cayman Islands, and whose principal activity is that of an investment company.

### **5 Directors' Remuneration**

The Directors received no remuneration in respect of their services to the company.

## Notes to the financial statements (continued)

<b>6 Debtors</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Amounts receivable from ultimate parent undertaking	4,149	3,851
	<u>4,149</u>	<u>3,851</u>

<b>7 Creditors: Amounts falling due within one year</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax payable	77	199
Amount owed to group undertakings	776	571
Other creditors	13	13
	<u>866</u>	<u>783</u>

<b>8 Movement in Shareholders' Funds</b>	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 October 1997	50,100	5,922	56,022
Retained profit for the year	-	626	626
At 30 September 1998	<u>50,100</u>	<u>6,548</u>	<u>56,648</u>

The Company has authorised share capital of £55,000,000 (being 55,000,000 ordinary shares of £1 each) and allotted, called up and fully paid share capital of £50,100,000 (being 50,100,000 ordinary shares of £1 each).

## **9 Cash flow statement**

No cash flow statement is given as the Company is a wholly owned UK subsidiary undertaking of Bass PLC which has provided a consolidated cash flow statement under Financial Reporting Standard 1 (revised) for the year ended 30 September 1998.

## **10 Ultimate parent undertaking**

The Company is a subsidiary undertaking of Bass PLC, incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of Bass Investments Number 2 Limited are consolidated is that headed by Bass PLC, incorporated in Great Britain. The consolidated financial statements of the group are available to the public and may be obtained from Bass PLC, 20 North Audley Street, London W1Y 1WE.

## Notes to the financial statements (continued)

### **11 Related party disclosure**

Other than the transactions with other members of the Bass Group that are exempt from disclosure under FRS8, there are no related party transactions that require disclosure.