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BASS HOLDINGS LIMITED  
REPORT AND ACCOUNTS 1989

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# 12-03-90

BASS HOLDINGS LIMITED

REPORT OF THE DIRECTORS  
FOR THE 53 WEEKS ENDED 30TH SEPTEMBER 1989

The directors submit their report on the Accounts of the Company for the period ended 30th September 1989.

## TRADING RESULTS

Turnover for the period was £2,193m.

The profit for the period before taxation amounted to £299m which included a surplus on disposal of fixed assets amounting to £31m.

Taxation charged against the profits of the period was £105m. The profit available for dividends was £194m.

## APPROPRIATIONS

The directors make the following recommendations:

	<u>£m</u>
Dividends to Ordinary Shareholder:	
Final to be paid on 19th January 1990	<u>200</u>
Amount transferred from retained profits	<u>(6)</u>

## ACCOUNTS

The profit and loss account and balance sheet have been prepared using the historical cost convention, except that certain fixed assets are included at valuation and in accordance with the policies set out on pages (4) to (6).

## RESEARCH AND DEVELOPMENT

Research and development activities have been focused on product quality, raw materials evaluation, process efficiency and new product development.

Significant advances have been made in simplifying and improving the control of the brewing process yielding benefits for product consistency and quality. Rigorous evaluation of raw materials and process improvements has ensured maintenance of the highest product quality whilst improving overall standards of process efficiency and cost.

Considerable attention has been devoted to new product development and packaging so as to meet identified market requirements and new opportunities across the drinks portfolio. In line with the Company's commitment to the development of low alcohol drinks, the low alcohol lager, Tennents LA, has been introduced on draught and the Bass LA low alcohol brand is also being tested in this form. A new ale product for export and premium lagers in attractive new packaging are being market tested.

# BASS HOLDINGS LIMITED

## REPORT OF THE DIRECTORS (CONTINUED)

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW OF THE COMPANY

There have been no significant changes during the year in the principal activities of the Company which consist of brewing, bottling and malting, the supply of beer, wines and spirits and soft drinks to the tied and free trade, and the management of hotels and other licensed properties. The Company owns, or holds on lease, its breweries, bottleries and maltings, together with licensed properties.

Three hotels operating in Germany were sold to Queens Moat Houses plc in October 1988. Changes in tangible fixed assets are shown in note 7 to the accounts.

### FUTURE DEVELOPMENTS

Trading activity has been strong in the financial year under review. There is evidence that the economic environment in the United Kingdom in 1990 will be less favourable than in the past few years. However, our business is well placed to take full advantage of trading opportunities.

### EMPLOYEES

The skill, motivation and professionalism of employees is central to the success of the Company. A comprehensive programme of communications, consultation and involvement is in place to reinforce the commitment of employees to the achievement of performance goals and standards of excellence. Training programmes continue to play a key part in meeting the company's growing requirements for skilled and professional staff.

It is the Company's policy that there shall be no discrimination in the recruitment process in respect of sex, colour, religion, race, nationality, ethnic origin or disability and that equal opportunity shall be given to all employees in respect of training, career development and promotion.

Employee involvement in the direction of the Bass Employee Security Plan continues with employee representation on the managing board.

### DIRECTORS

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

I. M. G. Prosser	(Chairman)
O. C. Darby	
D. G. Inns	
B. D. Langton	
A. E. R. Manners	
A. D. Portno	
K. Richards	
P. C. Sherlock	
J. R. D. Swan	
D. A. Urquhart	

Mr Richards and Mr Urquhart retired from the Board on 4th March and 4th May 1989 respectively.

Mr Inns, Mr Langton, Dr Portno, Mr Sherlock and Mr Swan were appointed to the Board on 16th May 1989.

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BASS HOLDINGS LIMITED

## DIRECTORS' INTERESTS

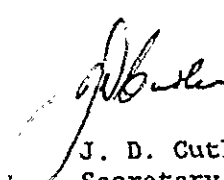
As the directors of the Company are directors of Bass PLC the Registrar of Directors' interests contains no particulars in respect thereof.

No contracts of significance in relation to the Company's business in which directors of the Company or any connected person had a material interest subsisted at the end of the financial year or at any time during the year.

## AUDITORS

Ernst & Whinney merged their practice with Arthur Young on 1st September 1989 and now practise in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board



J. D. Cutler  
Secretary  
28th November 1989

## BASS HOLDINGS LIMITED

### ACCOUNTING POLICIES

The accounting policies are consistent with those adopted previously apart from minor modifications having no material effect.

#### a) Basis of accounting.

- i) The accounts have been prepared under the historical cost convention except that certain fixed assets are included at valuation.
- ii) The Company regards those companies in which it owns not less than 20% of the allotted share capital as related companies. These companies are also regarded as associated companies in accordance with SSAP 1. However the Company does not account for its attributable share of profits in these companies as they are not material to the Company's results.

#### b) Deferred taxation.

- i) Deferred taxation is provided at projected future rates only for taxation liabilities arising from timing differences which are expected to reverse. Where this policy gives rise to a balance which will be offset against future corporation tax liabilities this balance is carried forward as a debtor.
- ii) No contingent liability is considered to arise for deferred taxation in respect of industrial buildings allowances as the properties are expected to be used in the business for periods longer than that for which the allowances could be reclaimed on disposal. Similarly no contingent liability exists for taxation deferred by roll-over relief due to the level of continuing capital investment.

#### c) Fixed assets and depreciation.

- i) Tangible assets.
  - a) Expenditure on additions and improvements to tangible fixed assets is capitalised for major projects on the basis of measured work completed, for other property projects on the basis of orders placed, and for all other expenditure as incurred.
  - b) Surpluses arising from professional valuations of properties are taken direct to revaluation reserve. Valuation surpluses realised on sale are transferred from revaluation reserve to profit and loss account.
  - c) Freehold land is not depreciated.

## BASS HOLDINGS LIMITED

### ACCOUNTING POLICIES (CONTINUED)

- d) Freehold properties comprising hotels and United Kingdom public houses are maintained, as a matter of company policy, by a programme of repair and refurbishment such that the residual values of these properties taken as a whole are at least equal to their book values. Having regard to this, it is the opinion of the directors that depreciation of any such property as required by the Companies Act 1985 and standard accounting practice would not be material.
- e) Other freehold properties are written off over 50 years, except breweries and maltings which are written off over 25 years, from the later of the date of acquisition or latest valuation.
- f) Leasehold hotels and United Kingdom public houses are amortised over the unexpired term of the lease when less than 100 years.
- g) Other leasehold properties are written off either over the periods as in (e) above or the term of the lease, whichever is the shorter.
- h) Cost of plant, machinery, fixtures, fittings, tools and equipment (owned or leased) is spread, by equal annual instalments, over the estimated useful lives of the relevant assets, namely:

	Years
Plant and machinery	4-20
Equipment in retail outlets	3-10
Vehicles	3-10

The life of moveable plant and machinery is pro-rated for double shift working.

#### ii) Investments.

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

#### d) Foreign currencies.

Assets and liabilities in foreign currencies together with the trading results of overseas operations are translated into sterling at the relevant rates of exchange ruling at the balance sheet date.

Exchange differences whether realised or unrealised:-

- (i) On overseas net assets are taken to retained earnings, and
- (ii) On foreign currency borrowings of the Company are taken to retained earnings to the extent that these differences match those in (i) above and premiums on acquisitions of overseas subsidiaries but are included as part of cost of borrowing where these differences are unmatched.

All other exchange differences are dealt with in arriving at the trading profit.

12403-90

BASS HOLDINGS LIMITED

ACCOUNTING POLICIES (CONTINUED)

e) Government grants.

Grants receivable are taken to a deferred income account and credited to profit over the estimated useful lives of the relevant assets.

f) Leases.

The cost of operating leases is charged to profit as incurred.

g) Repairs and maintenance.

Expenditure on repairs and maintenance carried out by the Company is charged to profit as incurred. Work undertaken by outside contractors is charged to profit on the basis of orders placed.

h) Research and development.

Expenditure on research and development is charged to profit as incurred.

i) Retirement and death benefits.

Contributions to pension schemes are charged to profit based on consistent percentages of members' pensionable pay as recommended by actuaries.

j) Stocks.

The basis of valuation is as follows:

- i) Raw materials, bought-in-goods, bottles, cases, pallets and consumable stores at the lower of cost and net realisable value.
- ii) Work in progress and finished stocks at the lower of cost, which includes an appropriate element of production overhead costs, and net realisable value.

k) Turnover.

Turnover is exclusive of VAT and comprises sales, rents and other trading income of the Company.

# 12503-90

BASS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE 53 WEEKS ENDED 30TH SEPTEMBER 1989

	Note	53 weeks 1989 £m	52 weeks 1988 £m
Turnover		2,193	1,976
Costs and overheads, less other income	1	<u>1,893</u>	<u>1,654</u>
Trading profit		300	322
Cost of borrowing	4	<u>(1)</u>	<u>(1)</u>
Profit on ordinary activities before taxation		299	321
Tax on profit on ordinary activities	5	<u>105</u>	<u>108</u>
Profit on ordinary activities after taxation		194	213
Dividends	6	<u>200</u>	<u>200</u>
Amount transferred (from)/to retained profits	14	<u>(6)</u>	<u>13</u>

Notes on pages 10 to 17 form an integral part of these accounts.



# 120390

BASS HOLDINGS LIMITED

BALANCE SHEET  
30TH SEPTEMBER 1989

	Note	1989 £m	1988 £m
Fixed assets			
Tangible assets	7	2,200	2,047
Investments	8	<u>339</u>	<u>293</u>
		<u>2,539</u>	<u>2,340</u>
Current assets			
Stocks	9	173	159
Debtors	10	209	190
Cash at bank and in hand		16	25
		398	374
Creditors: amounts falling due within one year	11	<u>775</u>	<u>566</u>
Net current liabilities		<u>(377)</u>	<u>(192)</u>
Total assets less current liabilities		2,162	2,148
Creditors: amounts falling due after more than one year	12	<u>986</u>	<u>948</u>
		<u>1,176</u>	<u>1,200</u>
Capital and reserves			
Called up share capital	13	8	8
Revaluation reserve	14	891	912
Profit and loss account	14	277	280

Signed on behalf of the Board

)  
)  
)  
) Directors  
)  
)  
)

28th November 1989

1,176

1,200

Notes on pages 10 to 17 form an integral part of these accounts.

# BASS HOLDINGS LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE 53 WEEKS ENDED 30TH SEPTEMBER 1989

	1989 £m	1988 £m
Funds generated		
Profit on ordinary activities before taxation	299	321
Items not involving movement of funds		
Depreciation after crediting grants	63	55
Other items	<u>(34)</u>	<u>(32)</u>
	328	344
Disposal of fixed assets	<u>104</u>	<u>105</u>
	<u>432</u>	<u>449</u>
Funds applied		
Working capital - increase/(decrease)		
Stocks	14	10
Debtors (excluding deferred taxation)	5	30
Creditors (excluding dividends and corporate taxation)	<u>(225)</u>	<u>(464)</u>
	(206)	(424)
Dividends paid	200	500
Tax paid	<u>96</u>	<u>84</u>
	90	160
Fixed Asset Investments	104	4
Fixed assets	<u>247</u>	<u>276</u>
	<u>441</u>	<u>440</u>
Net funds - (deficit)/surplus	<u>(9)</u>	<u>9</u>
Represented by		
Movements in liquid funds		
(Decrease)/Increase in balances at bank and in hand	<u>(9)</u>	<u>9</u>

Notes on pages 10 to 17 form an integral part of these accounts.

# BASS HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

1. Costs and overheads, less other income	1989 £m	1988 £m
Change in stocks of finished goods and work in progress	(9)	(10)
Own work capitalised	(12)	(9)
Surplus on sale of fixed assets	(31)	(37)
Raw materials, consumables and excise duty	1,017	949
Other external charges	446	366
Staff costs (note 2)	393	347
Depreciation on tangible fixed assets	64	56
Income from fixed asset investments (note 3)	(9)	(8)
Exceptional reorganisation costs	34	-
	<u>1,893</u>	<u>1,654</u>

The following amounts are included above:

Hire of plant and machinery	28	12
Property rentals	7	7
The auditors' remuneration was £0.5m (£0.4m)		

2. Staff costs	1989 £m	1988 £m
a) Wages and salaries	340	299
Employee profit share scheme	10	9
Social security costs	23	19
Other pension costs	20	20
	<u>393</u>	<u>347</u>

Retirement and death benefits are provided for eligible employees principally by the Bass Employees' Security Plan and the Bass Executive Pension Plan. Members of these Plans are contracted out of the State Earnings Related Scheme. The Plans are externally funded defined benefit schemes based upon final pay levels. Actuarial valuations were completed at 31st March 1988 which confirmed that members' accrued benefits based on service completed to that date and on rates of pensionable pay then current were fully covered by the assets of the Plans. Particulars of the actuarial valuations are given in the financial statements of Bass PLC. Contributions to these plans are based on pension costs of participating companies in the Group. There have been no exceptional charges or credits included in the pension costs stated above.

# BASS HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

	1989	1988
b) Average number of persons employed		
Retail	44,695	43,661
Non-retail	<u>11,787</u>	<u>11,645</u>
	<u>56,482</u>	<u>55,306</u>

- c) The emoluments of the Chairman and all other directors, as directors of Bass PLC, have been wholly charged in the accounts of that company. The table below shows the number of higher paid UK employees of the Company earning over £30,000 per annum whose emoluments excluding pension contributions during the year were within the bands stated.

£	Higher Paid UK Employees	
	1989	1988
30,001-35,000	52	39
35,001-40,000	38	38
40,001-45,000	24	23
45,001-50,000	31	6
50,001-55,000	10	5
55,001-60,000	1	2
60,001-65,000	4	3
70,001-75,000	4	1
75,001-80,000	1	-

3. Income from fixed asset investments	1989	1988
	£m	£m
Other investments	<u>9</u>	<u>8</u>
	<u>9</u>	<u>8</u>

4. Cost of Borrowing	1989	1988
	£m	£m
Interest payable	(2)	(1)
Less: interest receivable	<u>1</u>	<u>-</u>
	<u>(1)</u>	<u>(1)</u>
No interest is capitalised by the Company.		

5. Tax on profit on ordinary activities	1989	1988
	£m	£m
Charge for the year:		
Corporation tax	119	108
Deferred tax	<u>(14)</u>	<u>-</u>
	<u>105</u>	<u>108</u>

United Kingdom tax has been calculated on taxable profits at 35% (35%). The charge for the current year has been increased by £2m (nil) in respect of prior years.

The tax charge for the year has been reduced by £7m (£6m) for timing differences.

# BASS HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

The potential tax liability calculated at a rate of 35% (35%) arising principally from accelerated capital allowances for which provision has not been made and which is not expected to crystallise amounts to £111m (£92m) at 30th September 1989.

6. Dividends	1989 £m	1988 £m
Ordinary		
Proposed final	<u>200</u>	<u>200</u>
	<u>200</u>	<u>200</u>

## 7. Tangible fixed assets

	Breweries and other industrial properties £m	Licensed and unlicensed properties £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
a) Movements during period					
Cost or valuation					
At 24th September 1988	144	1,597	258	308	2,307
Exchange and other adjustments	2	3	(1)	11	15
Expenditure	9	111	49	78	247
Disposals	-	(34)	(9)	(18)	(61)
At 30th September 1989	<u>155</u>	<u>1,677</u>	<u>297</u>	<u>379</u>	<u>2,508</u>
Depreciation					
At 24th September 1988	7	8	136	109	260
Exchange and other adjustments	-	-	-	7	7
Provided for the year	4	4	20	36	64
Depreciation on disposals	-	(1)	(8)	(14)	(23)
At 30th September 1989	<u>11</u>	<u>11</u>	<u>148</u>	<u>138</u>	<u>308</u>
Net book value					
at 30th September 1989	<u>144</u>	<u>1,666</u>	<u>149</u>	<u>241</u>	<u>2,200</u>
at 24th September 1988	<u>137</u>	<u>1,589</u>	<u>122</u>	<u>199</u>	<u>2,047</u>
b) Depreciable assets					
At 30th September 1989					
the cost or valuation of depreciable assets included in a) above is	<u>136</u>	<u>156</u>	<u>297</u>	<u>379</u>	<u>968</u>

# 12-03-90

BASS HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

	Cost or Valuation £m	Depreciation £m	Total £m
c) At 30th September 1989			
Breweries and other industrial properties			
Freehold	150	11	139
Leasehold over 100 years	1	-	1
Leasehold 50 to 100 years	3	-	3
Leasehold under 50 years	1	-	1
Licensed and unlicensed properties			
Freehold	1,497	2	1,495
Leasehold over 100 years	49	-	49
Leasehold 50 to 100 years	83	3	80
Leasehold under 50 years	48	6	42
Total Properties	1,832	22	1,810
Plant and machinery at cost	297	148	149
Fixtures, fittings, tools and equipment at cost	379	138	241
	2,508	308	2,200
Cost or valuation of properties comprises			
1986 valuation	1,468		
Cost	364		
	1,832		
Comparable amounts for properties under the historical cost convention would be:			
at 30th September 1989	993	(74)	919
at 24th September 1988	872	(70)	802

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## BASS HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS (CONTINUED)

#### 8. Fixed assets investments

	Shares in subsidiaries £m	Trade loans £m	Total £m
a) Movements during period			
i) Cost			
At 24th September 1988	102	198	300
Other adjustments	-	(1)	(1)
Expenditure	2	102	104
Disposals and repayments	-	(54)	(54)
At 30th September 1989	104	245	349
Provision for diminution in value			
At 24th September 1988	-	7	7
Other adjustments	-	(2)	(2)
Provided for the year	3	2	5
At 30th September 1989	3	7	10
Net Book Value			
at 30th September 1989	101	238	339
at 24th September 1988	102	191	293

- ii) Group accounts have not been prepared because the company is a wholly-owned subsidiary of Bass Investments PLC, a company incorporated in Great Britain. In the opinion of the directors the value of the subsidiaries is at least equal to the amount shown above. The principal subsidiaries are managers for and agents of the company and include:-

Augustus Barnett Limited  
 Bass Brewing Limited  
 +Bass Ireland Limited  
 Bass Mitchells & Butlers Limited  
 Bass North Limited  
 Bass & Tennent Sales Limited  
 Bass UK Limited  
 Bass Wales & West Limited  
 Charrington & Co. Limited  
 \*Tennent Caledonian Breweries Limited  
 Toby Restaurants Limited

+Registered in Northern Ireland  
 \*Registered in Scotland

These companies are incorporated in Great Britain and registered in England except as otherwise stated.

## BASS HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS (CONTINUED)

#### b) At 30th September 1989

Unlisted investments at 30 September 1989 amounted to £m (nil) cost less amounts written off and £m (£m) replacement cost.

Companies, not being subsidiaries, in which at 30th September 1989 Bass Holdings Limited held in excess of one-tenth of the nominal value of the allotted equity share capital, do not include any companies which, in the opinion of the directors, materially affected the amount of the earnings or the amount of the assets of the company.

9. Stocks	1989 £m	1988 £m
Raw materials	29	26
Consumable stores	15	13
Work in progress	40	25
Finished stocks	82	77
Bottles, cases and pallets	<u>7</u>	<u>7</u>
	<u>173</u>	<u>158</u>

The replacement cost of stocks approximates to the value at which they are stated in the accounts.

10. Debtors	1989 £m	1988 £m
Trade debtors	129	136
Amounts owed by group companies: subsidiaries	4	4
fellow subsidiaries	23	21
Other debtors	21	21
Prepayments	21	11
Deferred tax	<u>11</u>	<u>(3)</u>
	<u>209</u>	<u>190</u>

Included in the above are amounts due after more than one year of:

Amounts owed by group companies: subsidiaries	4	4
fellow subsidiaries	<u>23</u>	<u>21</u>
	<u>27</u>	<u>25</u>



# BASS HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

11. Creditors: amounts falling due within one year	1989 £m	1988 £m
Trade deposits	13	13
Trade creditors	80	65
Amounts owed to group companies: fellow subsidiaries	32	3
Amounts owed to related companies	1	1
Corporate taxation	193	64
Other taxation and social security	101	90
Other creditors	111	85
Accrued charges	44	45
Proposed dividends	<u>200</u>	<u>200</u>
	<u>775</u>	<u>566</u>

## 12. Creditors: amounts falling due after more than one year

	1989 £m	1988 £m
Amounts owed to group companies: parent and fellow subsidiaries subsidiaries	873 105	732 100
Corporate taxation	-	106
Other creditors	2	3
Government grants	<u>6</u>	<u>7</u>
	<u>986</u>	<u>948</u>

## 13. Called up share capital

	Authorised 1989 £m	Allotted and fully paid 1989 £m	Authorised 1988 £m	Allotted and fully paid 1988 £m
Ordinary shares of £1 each	8	8	8	8

## 14. Reserves

a) Revaluation reserve	£m
At 24th September 1988	912
Realised revaluation surpluses transferred to profit and loss account	(18)
Revaluation element in depreciation charge (14b)	<u>(3)</u>
At 30th September 1989	<u>891</u>
b) Profit and loss account	
Retained earnings at 24th September 1988	280
Revaluation element in depreciation charge (14a)	3
Retained earnings for the period	<u>(6)</u>
Retained earnings at 30th September 1989	<u>277</u>

# BASS HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

15. Contracts for expenditure on fixed assets	1989	1988
	£m	£m
The aggregate amount of expenditure on fixed assets not dealt with in the accounts is:		
In respect of contracts placed	55	63
Authorised by the directors but not contracted for	<u>304</u>	<u>268</u>
	<u>359</u>	<u>331</u>

No deductions have been made from the above amounts in respect of government grants.

16. Contingent liabilities and financial commitments	1989	1988
	£m	£m
There are contingent liabilities not provided for in the accounts relating to:		
Guarantees	<u>1</u>	<u>1</u>

The Company has also given a guarantee secured by a floating charge on its assets and undertaking in respect of the debentures of Bass PLC amounting to £280m (£32m).

The Company has annual commitments under operating leases at 30th September 1989 which expire as follows:

	Properties		Other	
	1989	1988	1989	1988
	£m	£m	£m	£m
Within 1 year	-	-	-	-
Between 1 and 5 years	1	1	-	-
After 5 years	<u>5</u>	<u>5</u>	<u>1</u>	<u>1</u>
	<u>6</u>	<u>6</u>	<u>1</u>	<u>1</u>

Owing to the substantial number of properties owned by the Company, it is not practicable to calculate the provision for taxation of chargeable gains which might arise in the event of properties being sold at their revalued amounts.

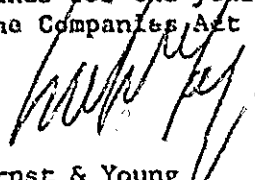
## 17. Ultimate holding company

Bass PLC incorporated in Great Britain and registered in England.

REPORT OF THE AUDITORS TO THE MEMBERS OF BASS HOLDINGS LIMITED

We have audited the accounts set out on pages 4 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30th September 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
London  
28th November 1989