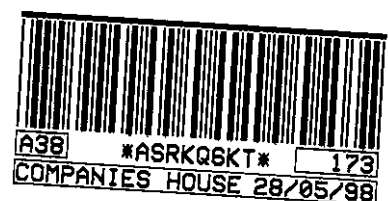


Company Number 368815

DIRECTORS' REPORT AND ACCOUNTS
BASS HOTELS AND HOLIDAYS LIMITED

30 SEPTEMBER 1997



BASS HOTELS AND HOLIDAYS LIMITED
DIRECTORS' REPORT

For the year ended 30 September 1997

The directors present their annual report on the affairs of the Company, together with the accounts and auditors' report for the year ended 30 September 1997.

PRINCIPAL ACTIVITY AND REVIEW

The Company has not traded during the year . A dividend of £205,000,000 has been received from the Company's subsidiary , Holiday Inns (UK) Limited , therefore a Profit and Loss Account has been prepared.

The principal activity of the Company is that of a parent company to a group of subsidiaries operating hotels in the United Kingdom. No change is anticipated in the activity of the Company.

The directors have agreed and paid a dividend of £197,500,000 to the ultimate parent company, Bass plc.

SUBSEQUENT EVENTS

Up to and including the date of signature of these financial statements no significant events affecting the company have occurred since the balance sheet date.

DIRECTORS

The following served as directors of the Company during the year :

L D Ritson
I C Graham
R L Jackman

DIRECTORS' INTERESTS

Mr Ritson, Mr Graham and Mr Jackman do not have any interests in the ordinary shares of Bass Plc.

No changes took place in the interests of directors between 30 September 1997 and the date of signature of these financial statements.

The directors had no interests in the shares of the Company or other group companies other than those mentioned above.

BASS HOTELS AND HOLIDAYS LIMITED
DIRECTORS' REPORT (Continued)
For the year ended 30 September 1997

CONTRACTS AND ARRANGEMENTS

There were no contracts of significance in relation to the company's business in which directors of the Company or any connected persons had a material interest at the end of the financial period or at any time during the period. There were no arrangements in place at the end of the financial period or at any time during the period to which the Company was a party whose objects enabled the directors or connected persons to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the Bass Group's share schemes which provide arrangements by which executive directors may receive shares in Bass Plc. Details of these schemes are contained in Bass Plc statutory accounts.

SUPPLIER PAYMENT POLICY

The Company agrees payment terms with all of its main suppliers and abides by these terms subject to satisfactory performance by the supplier. Amounts owed to other suppliers are settled on or before the end of the month following receipt of a valid invoice. There were no creditors at the end of the financial year.

AUDITORS

The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

Bass Hotels and Holidays Limited
20 North Audley Street
London
W1Y 1WE

Approved by the Board of Directors and
signed on behalf of the Board,


Director
I C Graham

28/4/98
Date:

BASS HOTELS AND HOLIDAYS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RELATION TO FINANCIAL STATEMENTS
For the year ended 30 September 1997

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 4, 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 5 to 10 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.

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.

BASS HOTELS AND HOLIDAYS LIMITED
REPORT OF THE AUDITORS
TO THE MEMBERS OF BASS HOTELS AND HOLIDAYS LIMITED
For the year ended 30 September 1997

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's Directors are responsible for the preparation of the financial statements. This responsibility includes selecting suitable accounting policies and then applying them consistently, and although the Directors have discussed the appropriateness of the accounting policies with us, it is solely their responsibility to select the accounting policies to be applied in the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements as prepared by the Directors, and to report our opinion to you.

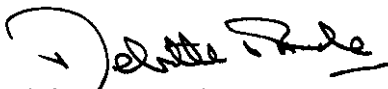
BASIS OF OPINION

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 30 September 1997 and of its profit for the period from 1 October 1996 to 30 September 1997 and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

14 May 1998

BASS HOTELS AND HOLIDAYS LIMITED
ACCOUNTING POLICIES
For the year ended 30 September 1997

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of Accounting

The financial statements are prepared under the historical cost convention. They have been 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.

The company regards those companies and joint ventures in which it owns not less than 20% of either the allotted share capital or the total capital and over which it exercises significant influence as associated undertakings.

b) Investments

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

c) Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

BASS HOTELS AND HOLIDAYS LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 30 September 1997

	NOTES	1997 £	1996 £
Dividend Received from subsidiary undertaking		221,300,000	-
		<hr/>	<hr/>
Operating Profit		221,300,000	-
Interest Receivable		8,707	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		221,308,707	-
Tax credit on UK Dividends received		(16,300,000)	-
		<hr/>	<hr/>
Profit after taxation		205,008,707	-
Equity Dividend Paid		(197,500,000)	-
		<hr/>	<hr/>
Retained Profit for the year		7,508,707	-
		<hr/>	<hr/>

There are no recognised gains and losses for the current and preceding financial periods other than as stated in the profit and loss account.

There are no movements on shareholders' funds other than the amount shown in the above profit and loss account.


Notes on pages 8 to 10 form an integral part of these accounts.


BASS HOTELS AND HOLIDAYS LIMITED
BALANCE SHEET
30 September 1997

	NOTES	1997 £	1996 £
Fixed asset investments			
Shares in group companies - subsidiary undertakings	2	19,239,000	19,239,000
Current assets			
Amounts owed by subsidiary undertakings		16,837,864	16,837,864
Loan to parent company		7,508,707	-
Total assets less current liabilities		<u>43,585,571</u>	<u>36,076,864</u>
Creditors:			
Amounts falling due after more than one year			
Amounts owed to subsidiary undertakings		(100)	(100)
		<u>43,585,471</u>	<u>36,076,764</u>
Capital and reserves			
Called up share capital	3	24,328,944	24,328,944
Revaluation reserve	4	19,238,900	19,238,900
Profit and loss account	4	17,627	(7,491,080)
Total shareholders' funds		<u>43,585,471</u>	<u>36,076,764</u>
Shareholders' funds are attributable to:-			
Equity shareholders' funds		31,420,999	23,912,292
Non equity shareholders' funds		12,164,472	12,164,472
		<u>43,585,471</u>	<u>36,076,764</u>

These accounts were approved by the Board of Directors on 28 April 1998

Signed on behalf of the Board of Directors

I C Graham  Director

J B Combeer  Secretary

Date: 28/4/98

The accompanying notes are an integral part of this balance sheet.

BASS HOTELS AND HOLIDAYS LIMITED
NOTES TO ACCOUNTS
For the year ended 30 September 1997

1. Directors' remuneration

No remuneration was paid to the directors of the Company.

2. Fixed asset investment

	Shares in subsidiaries £
a) Movement during year	
i) Cost (or valuation):	
At 30 September 1996 and 30 September 1997	19,455,945
Provision for diminution in value:	
At 30 September 1996 and 30 September 1997	216,945
Net book value:	
At 30 September 1996 and 30 September 1997	19,239,000

The investment in Holiday Inns (UK) Limited was valued by the directors at 31 March 1978 on the basis of the current market value.

- ii) Group accounts have not been prepared because the Company is a wholly owned subsidiary of another UK company. In the opinion of the directors the value of the subsidiaries is at least equal to the amount shown above and the principal subsidiaries included therein are:

Company	Main Activity	Proportion of held shares Ordinary Shares
Holiday Inns (UK) Ltd	Hotel Operator	100%
Holiday Inns Garden Court Ltd	Non trading	100%
Holiday Inns of Tel Aviv Limited (Israel)	Non trading	100%

The subsidiaries were all incorporated in Great Britain and registered in England and Wales, except Holiday Inns of Tel Aviv Limited (Israel) which was incorporated and registered in Israel.

- b) Comparable amounts under the historical cost convention would be:-

At 30 September 1997	£ 100
At 30 September 1996	£ 100

BASS HOTELS AND HOLIDAYS LIMITED
NOTES TO ACCOUNTS (Continued)
For the year ended 30 September 1997

3. Called up share capital

	1997 £	1996 £
Authorised:		
125,000,000 5% non cumulative preference shares of 10p each	12,500,000	12,500,000
125,000,000 ordinary shares of 10p each	<u>12,500,000</u>	<u>12,500,000</u>
	<u>25,000,000</u>	<u>25,000,000</u>
Allotted, called up and fully paid:		
121,644,721 5% non cumulative preference shares of 10p each	12,164,472	12,164,472
121,644,721 ordinary shares of 10p each	<u>12,164,472</u>	<u>12,164,472</u>
	<u>24,328,944</u>	<u>24,328,944</u>

Preference shares rights

The holders of preference share rights are entitled to a fixed non-cumulative preferential dividend at the rate shown and , on winding up of the Company , to priority over the ordinary shareholders as regards payment of capital together with all arrears of fixed non-cumulative preferential dividend , whether declared or earned or not.

The holders of preference shares are not entitled to receive notice of , or to attend or vote at , any general meeting.

The preference shareholders have agreed to waive their rights to all dividend issues.

4. Reserves	Revaluation Reserves £	Profit and Loss Account £
At 30 September 1996	-	(7,491,080)
Profit for year	-	7,508,707
	<hr/>	<hr/>
At 30 September 1997	19,238,900	17,627
	<hr/>	<hr/>

BASS HOTELS AND HOLIDAYS LIMITED
NOTES TO ACCOUNTS (Continued)
For the year ended 30 September 1997

5. Related Parties

The company has taken advantage of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with other group companies.

6. Ultimate parent company

The ultimate parent company is Bass Plc, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of Bass Hotels and Holidays Limited and subsidiary undertakings are consolidated is that headed by Bass Plc, a company registered in England and Wales.

The consolidated accounts of Bass Plc are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.