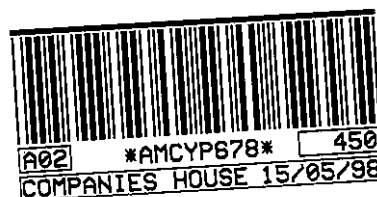


BLMS Limited

Accounts 30 September 1997
together with directors' report
Registered number: **2067231**



Directors' report

For the year ended 30 September 1997

The Directors present 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 1997.

Principal activities and business review

The principal activity of the Company during the period has been hiring and service of amusement machines.

As at 2 August 1997 the group of companies that comprise Bass Leisure Division were restructured and the trade and net assets of the amusement machine operating business were transferred from Bass Leisure Activities Limited to BLMS Limited. Up until this time, BLMS Limited was a dormant company.

Turnover for the period amounted to £15,255k (1996 - £nil).

The profit for the period before taxation amounted to £1771k (1996 - £nil) which included a loss on disposal of fixed assets amounting to £100k (1996 - £nil). Taxation charged against the profits for the period was £528k (1996 - £nil), leaving profit after taxation of £1,243k (1996 - £nil).

No interim dividend was paid (1996 - £nil) and no final dividend is proposed (1996 - £nil). The balance of profit for the period has been transferred to reserves.

Directors and their interests

The following served as Directors of the Company during the period:

M P Childs	(Appointed 03.03.97)	J M Duck	(Resigned 29.09.97)
J M Day		R A Heaver	(Resigned 29.09.97)
P J Langley		R D Withers	(Resigned 27.03.97)
D Page			
Dr A D Portno			
K I Smith			
M R Thompson			

Directors' report (continued)

Directors and their interests (continued)

The Directors and their families had the following interest in shares of Bass PLC at 30 September 1996 and 30 September 1997.

	Ordinary Shares (1)			Ordinary Shares Under Option (2)				
	1996	1997	1997	Granted during year	Exercised during year	Lapsed during year	1997	Average option price per share (3)
J M Day	1,330	1,621	22,994	600	-	-	23,594	572.00p
P J Langley	1,631	1,922	24,010	1,309	-	-	25,319	562.00p
D Page	1,468	959	7,736	5,300	(442)	-	12,594	745.00p
K I Smith	2,165	7,217	34,542	1,500	(11,729)	-	24,313	505.00p

The share holdings of Dr A. D. Portno are reported in the Bass PLC Financial Statements.

The share holdings of M P Childs and M R Thompson are reported in the Bass Leisure Group Financial Statements.

(1) Includes Ordinary shares held by Trustees under the Bass Employee Profit Share Scheme.

(2) Shares held under the Bass Executive Share Option Scheme and the Bass Employee Savings Share Schemes.

(3) These are the weighted averages of the subscription prices per share for the shares under option at 30 September 1997.

*Comparative figures represent interests held at date of appointment.

Directors' report (continued)

Contracts and arrangements

No Director was materially interested in any contract of significance to the company's business.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 6 to the accounts.

In the opinion of the Directors, there is no material difference between the book and the current value of the interests in land and buildings.

Suppliers 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. At 30th September 1997 trade creditors outstanding represented approximately 30 days purchases from suppliers comprising trade creditors.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that all employees be given equal opportunities in respect of training, career development and promotion.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

In addition to widely established arrangements involving briefing group consultancy committees and the publications of Company newspapers, there has been an increasing use of video programmes as part of the general process of employee consultation.

The Company encourages the involvement of employees in the Company's success through share ownership.

All our eligible employees are able to participate in the Bass Employee Share Ownership Scheme and the Bass Employee Savings Share Scheme.

It is Company policy that there shall be no discrimination in respect of sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

Directors' report (continued)

Auditors

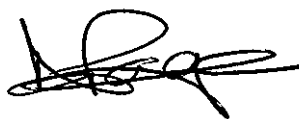
The Directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young as auditors for the ensuing year.

Liability insurance for Company officers

As permitted by Section 310 (3) of the Companies Act 1985, the Company has maintained insurance cover for the Directors against liabilities in relation to the Company.

3 The Maltings
Wetmore Road
Burton-on-Trent
Staffs
DE14 1SE

By order of the Board,



Secretary

Date

2/12/97

D Page

Statement of Directors' Responsibilities

in relation to financial statements

The following statement, which should be read in conjunction with the Report of the Auditors set out below, 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 period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

Following discussions with the Auditors, the Directors consider that, in preparing the financial statements on pages 7 to 23 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 BLMS Limited

We have audited the financial statements on pages 7 to 23, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 7 to 9.

Respective Responsibilities of Directors and Auditors

As described on page 5, the Company's Directors are responsible for the preparation of the financial statements. 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 1997 and of the Company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants

Registered Auditor

Birmingham

Date 2/12/97

Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention as modified to include revaluation of certain tangible fixed assets. They have been drawn up to comply with applicable accounting standards. A summary of the significant accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

Group accounts have not been prepared because the company is a wholly owned subsidiary undertaking of another UK company.

Fixed assets and depreciation

i) Intangible assets

No value is attributed to trademarks, concessions, patents and similar rights and assets.

ii) Tangible assets

a) Freehold and leasehold properties including related licenses are stated at cost or valuation, less depreciation where relevant. All other fixed assets are stated at cost.

b) Interest paid in respect of certain major projects is capitalised to the extent that it relates to the period prior to the project becoming operational.

c) Revaluation Reserve

Surpluses and deficits, to the extent that any deficit is regarded as temporary, arising from the professional valuation of properties are taken direct to the revaluation reserve. Where a permanent diminution in value of an individual property is identified, it is eliminated first against any revaluation reserve in respect of that property with any excess being charged to the profit and loss account. Valuation surpluses or deficits realised on sale are transferred from the revaluation reserve to the profit and loss account reserve.

d) Depreciation

i) Freehold land and licences are not depreciated.

ii) Freehold properties are written off over 50 years.

iii) Leasehold properties are written off over 50 years or amortised over the unexpired term of the lease when less than 50 years.

Accounting policies (continued)

- iv) Cost of coin operated machinery, plant, machinery, fixtures, fittings, tools and equipment (owned or leased) is spread, by equal instalments, over the estimated useful lives of the relevant assets, namely:

Plant and machinery	4-20 years
Information technology equipment	3-5 years
Equipment in retail outlets	3-10 years
Vehicles	3-10 years
Coin operated machinery	up to 6 years

- iii) Investments

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

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions.

Exchange differences are taken to the profit and loss account.

Goodwill

Any difference between the purchase consideration of an acquired business and the fair value attributed to its tangible assets and liabilities represents discount or goodwill. Goodwill is eliminated against reserves.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The Company principally operates two pension plans covering the majority of permanent full time UK employees, both of which are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds. The regular cost of providing pensions is charged to the profit and loss account over the average expected lives of current employees. Variations in regular pension cost are amortised over the average expected service lives of employees.

Differences between the amount charged in the profit and loss account and the payment made to the pension plans are treated as either provisions or prepayments in the balance sheet.

Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost, including an appropriate element of production overhead cost, and net realisable value.

Taxation

- (i) Advance corporation tax on dividends paid or proposed which is expected to be recovered in the future is incorporated in the deferred taxation balance.
- (ii) Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future. Where this policy gives rise to a balance which will be offset against future tax liabilities, this balance is carried forward as a debtor. No liability is considered to arise for deferred taxation in respect of UK 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 liability is considered to exist for taxation deferred by UK roll-over relief due to the level of continuing capital investment.

Turnover

Turnover represents sales (excluding VAT and similar taxes) of goods and services, net of discounts, provided in the normal course of business.

Profit and Loss Account

For the year ended 30 September 1997

	Notes	1997 £'000	1996 £'000
Turnover	1	15,255	-
Costs and overheads, less other income	2	(13,359)	-
		<hr/>	<hr/>
Operating profit		1,896	-
Loss on disposal of fixed assets		(100)	-
		<hr/>	<hr/>
Profit on ordinary activities before interest		1,796	-
Interest receivable & similar income		2	-
Interest payable and similar charges		(27)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,771	-
Taxation	4	(528)	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,243	-
Dividends	5	-	-
		<hr/>	<hr/>
Retained loss for the period	14	1,243	-
		<hr/>	<hr/>

There are no recognised gains or losses for the year, or the previous year, other than those dealt with in the profit and loss account.

Notes on pages 7 to 9 and pages 13 to 23 form an integral part of these financial statements.

Reconciliation of Movement in Shareholders' Funds

For the year ended 30 September 1997

	1997 £'000	1996 £'000
Profit attributable to ordinary shareholders	1,243	-
Issue of ordinary shares	10,000	-
Net addition to shareholders' funds	11,243	-
Opening shareholders' funds	1	1
Closing shareholders' funds	11,244	1

Notes on pages 7 to 9 and pages 13 to 23 form an integral part of these financial statements.

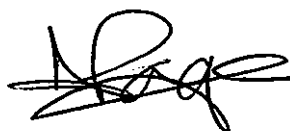
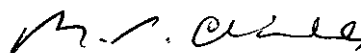
Balance Sheet

30 September 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	6	54,196	-
Investments	7	1,851	1,801
		<u>56,047</u>	<u>1,801</u>
Current assets			
Stocks	8	2,741	-
Debtors	9	21,949	1
Cash at bank and in hand		7,540	-
		<u>32,230</u>	<u>1</u>
Creditors: Amounts falling due within one year	10	(23,108)	-
Net current assets		<u>9,122</u>	<u>1</u>
Total assets less current liabilities		<u>65,169</u>	<u>1,802</u>
Creditors: Amounts falling due after more than one year	11	(53,925)	(1,801)
Net assets		<u>11,244</u>	<u>1</u>
Capital and reserves			
Called-up share capital	13	1,001	1
Share Premium Account	14	9,000	-
Profit and loss account	14	1,243	-
Shareholders' funds		<u>11,244</u>	<u>1</u>

Signed on behalf of the Board

Directors

Date 2/12/97

Notes on pages 7 to 9 and pages 13 to 23 form an integral part of these financial statements.

Notes to the financial statements

1 Segmental analysis – turnover

Geographic analysis of turnover by destination	1997 £'000	1996 £'000
United Kingdom	15,255	-

All turnover originates in the UK.

2 Costs and overheads, less other income

	1997 £'000	1996 £'000
Staff costs (note 3a)	3,999	-
Depreciation of tangible fixed assets	5,201	-
Other external charges	4,159	-
	<u>13,359</u>	<u>-</u>

	1997 £'000	1996 £'000
The following amounts are included above:		
Hire of plant and machinery	136	-
Property rentals	<u>238</u>	<u>-</u>

Auditors' remuneration in respect of audit services amounted to £6k (1996 £ nil) and non audit services £nil (1996 £nil).

Notes to the financial statements

3 Staff	1997	1996
a) Costs	£'000	£'000

Employee costs during the period amounted to:

Wages and salaries	3,570	-
Employee profit share scheme	-	-
Social security costs	317	-
Pensions (see note 3c)	112	-
	<u>3,999</u>	<u>-</u>

b) Average number of employees

The average number of persons employed by the Company during the period including part time employees was as follows:

1997	1996
Number	Number
1,801	-

c) Pensions

Retirement and death benefits are provided for eligible employees in the United Kingdom 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. The assets of these plans are held in self-administered trust funds separated from the Company's assets.

Actuarial valuations of the plans were completed as at March 1997 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.

The regular pension cost for the year was £282k with contributions totalling £92k. The variation from regular pension cost was £170k (1996 - £nil).

d) Directors' emoluments

Directors' emoluments were paid in respect of Directors of the Company as follows:

	1997	1996
	£000	£000
Fees as directors	37	-
Other emoluments	3	-
Bonuses	11	-

The above figures do not include any amount for the value of share options granted to, or held by, the directors. In the year to 30 September 1997, 2 directors exercised share options. All directors are members of the Bass Executive Pension Scheme – a defined benefit scheme.

Included in the above are amounts in respect of:

	1997	1996
	£000	£000
Highest paid Director	14	-
Accrued pension at year end	13	-

Notes to the financial statements

4 Tax on profit on ordinary activities

	1997 £'000	1996 £'000
The taxation charge is based on the profit for the period and comprises:		
Corporation tax at 32% (1996 33%)	528	-
Deferred taxation	-	-
	<u>528</u>	<u>-</u>

Had the Company been providing the full amount of potential deferred taxation the tax charge for the period would have been increased/(reduced) as follows:

	1997 £'000	1996 £'000
Capital allowances	(82)	-
Other timing differences relating to current assets and liabilities	7	-
	<u>(75)</u>	<u>-</u>

5 Dividends paid

No dividend was paid in the year (£1996 - £nil).

Notes to the financial statements

6 Tangible fixed assets

	Properties £000m	Plant and machinery £000m	Fixtures, fittings, tools and equipment £000m	Total £000m
Cost or valuation				
At 30 September 1996	-	-	-	-
Additions	-	-	7,359	7,359
Transfers from other group companies	446	-	119,851	120,297
Disposals	-	-	(3,469)	(3,469)
At 30 September 1997	<u>446</u>	<u>-</u>	<u>123,741</u>	<u>124,187</u>
Depreciation				
At 30 September 1996	-	-	-	-
Provided in the period	2	-	5,199	5,201
Transfers from other group companies	111	-	67,182	67,293
Disposals	-	-	(2,503)	(2,503)
At 30 September 1997	<u>113</u>	<u>-</u>	<u>69,878</u>	<u>69,991</u>
Net book value				
At 30 September 1997	<u>333</u>	<u>-</u>	<u>53,863</u>	<u>54,196</u>
At 30 September 1996	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 1997 the cost or valuation of depreciable assets included in the above was:	<u>446</u>	<u>-</u>	<u>123,741</u>	<u>124,187</u>

Note:

Transfers from other group companies which relate to the transfer of business and assets from Bass Leisure Activities on 2nd August 1997 have been included at an agreed valuation.

Notes to the financial statements

6 Tangible fixed assets (continued)

Analysis of properties:

	Cost or valuation £'000	Depreciation £'000	Net book value £'000
At 30 September 1997			
Freehold	289	(29)	260
Leasehold over 50 years	-	-	-
Leasehold under 50 years	157	(84)	73
	<u>446</u>	<u>113</u>	<u>333</u>

Cost or valuation of properties comprises:

	£'000
1997 Valuation	436
At cost since	10
	<u>446</u>

Comparable amounts for properties under the historical cost convention would be:

At 30 September 1997:	£'000
Cost	309
Depreciation	(38)
Net book value	<u>271</u>

Notes to the financial statements

7 Fixed asset investments

a) Movement during the period:

Shares in group
undertakings
£'000

Cost

At 30 September 1996	1,801
Transfers from other group companies	50
At 30 September 1997	<u>1,851</u>

b) Principal investments:

Group financial statements have not been prepared because the Company is a wholly owned subsidiary of another UK company (see note 19). In the opinion of the Directors the value of the subsidiary undertakings is at least equal to the amount shown above. The principal subsidiary undertakings are managers for and agents of the Company and include:-

Paymaster Limited
Kossway Automatics Western Limited
Leisure Projects Limited
LMS Machine Services Limited
MAM Services Limited
Hargreaves Machines Limited
Sescomatics Limited
Tankerton Automatics Limited
Western Amusements Limited

All shares are held directly by the company.

These companies are wholly owned and are incorporated in Great Britain and registered in England and Wales.

8 Stocks

	1997 £'000	1996 £'000
Consumable stores	<u>2,741</u>	<u>-</u>

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

Notes to the financial statements

9 Debtors

	1997	1996
	£'000	£'000
Trade debtors	5,927	-
Amounts owed by parent and fellow subsidiary undertakings	5,282	1
Other debtors	1,356	-
Prepayments and accrued income:		
- pensions	8	-
- other	9,376	-
	<u>21,949</u>	<u>1</u>

Included in the above are amounts falling due after more than last year:

Amounts owed by parent and fellow subsidiary undertakings	-	1
Pension prepayment	8	-
Other prepayments	1,976	-
	<u>1,984</u>	<u>1</u>

Notes to the financial statements

10 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Trade creditors	3,125	-
Corporate taxation	528	-
Other taxation and social security	3,410	-
Accrued charges and deferred income	6,303	-
Amount owed to parent and fellow subsidiary undertakings	3,896	-
Capital creditors	4,527	-
Other creditors	1,306	-
Other borrowings	13	-
	<u>23,108</u>	<u>-</u>

11 Creditors: Amounts falling due after more than one year

	1997 £'000	1996 £'000
Amounts owed to parent and subsidiary undertakings – parent	52,073	-
- subsidiary	1,851	-
Other Creditors	1	-
	<u>53,925</u>	<u>-</u>

Notes to the financial statements

12 Provisions for liabilities and charges

Deferred taxation has been provided to the extent that the Directors have concluded on the basis of reasonable assumptions that it is probable that the liability will crystallise in the foreseeable future. No deferred tax has been provided in the current year (1996 £nil).

Deferred taxation - amounts not provided

	1997 £'000	1996 £'000
Excess of tax allowances over book depreciation of fixed assets	(3,608)	-
Other timing differences related to pensions	-	-
Other timing differences related to current assets and liabilities	(115)	-
	<u>(3,723)</u>	<u>-</u>

13 Called-up share capital

	1997 £'000	1996 £'000
<i>Authorised</i>		
1,001,001 Ordinary shares of £1 each	<u>1,001</u>	<u>1</u>
<i>Allotted and fully-paid</i>		
1,001,001 Ordinary shares of £1 each	<u>1,001</u>	<u>1</u>

During the year 1,000,001 ordinary shares of £1 each were issued for an aggregate consideration of £10,000,001.

14 Reserves

	Share premium account £'000	Profit and Loss account £'000	Total £'000
At 30 September 1996	-	-	-
Retained earnings for the period	-	1,243	1,243
Share issue	<u>9,000</u>	<u>-</u>	<u>9,000</u>
At 30 September 1997	<u>9,000</u>	<u>1,243</u>	<u>10,243</u>

Notes to the financial statements

15 Contracts for expenditure on fixed assets

The aggregate amount of expenditure on fixed assets not provided for in the financial statements is:	1997 £'000	1996 £'000
Contracts placed	-	-

16 Contingent liabilities and financial commitments

There are no contingent liabilities for which provision is required in these financial statements.

The Company has no annual commitments under operating leases at 30 September 1997.

It is not practicable to quantify the provision for taxation of chargeable gains which might arise in the event of properties being sold at their revalued amounts.

17 Cash flow statement

No cash flow statement is given as the Company is a wholly owned UK subsidiary undertaking of Bass PLC who have provided a consolidated cash flow statement under FRS 1 (Revised).

18 Post balance sheet events

Subsequent to the year end, a number of transactions took place which are detailed below:

On 25 November 1997, the entire issued share capital of the company was sold, at market value, to Bass Brewers 1996 Limited (which subsequently changed its name to Bass Machine Holdings Limited), a wholly owned subsidiary of Bass PLC. On the same day, the net assets, goodwill and trade were sold, at market value, to Bass Brewers 1996 Limited. The profit arising on sale was taken to the profit and loss account

On 26 November 1997, the company acquired the entire issued share capital of Inn Style Leisure Limited for a cash consideration of £5.7million.

19 Related Party Transactions

Other than transactions with other members at the Bass Group that are exempt from disclosure under FRS 8, there are no related party transactions that require disclosure.

Notes to the financial statements

20 Ultimate parent undertaking

At the year end, the company was a subsidiary undertaking of Bass Leisure Activities Limited incorporated in Great Britain and registered in England and Wales. However, see note 18 above.

The largest and only group in which the results of BLMS Limited are consolidated is that headed by Bass PLC, incorporated in Great Britain, this company is also regarded as the ultimate parent company. These consolidated financial statements are available to the public and may be obtained from Bass PLC, 20 North Audley Street, London, W1Y 1WE.