**Report and Accounts**

# *Coral Eurobet plc*

# *(formerly Coral Group Holdings PLC)*

**24 September 2000**

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A11 12/04/01
COMPANIES HOUSE

Registered No. 3688324

**DIRECTORS**
V T Ashdown
T K Beaumont
R P Baker-Bates
J E Derry-Evans
G S Hutton
M G Mariscotti
R Scott
A W Wyatt

**SECRETARY**
J J T Cronk

**AUDITORS**
Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

**BANKERS**
HSBC plc
23 Ripple Road
Barking
Essex IG11 7NW

**REGISTERED OFFICE**
Glebe House
Vicarage Drive
Barking
Essex IG11 7NS

# DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 24 September 2000.

**RESULTS AND DIVIDENDS**

The Group loss before taxation of £52.6 million (period from 18 December 1998 to 25 September 1999: £12.9 million) was after accounting for net interest payable of £48.3 million (period from 18 December 1998 to 25 September 1999: £33.2 million).

The payment of an ordinary dividend by the Company is specifically prohibited while the Group is significantly debt financed.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The Company is a holding company. The principal activities of the Group relate to the provision of betting services. The Group offers and accepts bets on a variety of sporting and other events, principally horseracing and soccer, delivered via three principal channels – the internet, betting shops and the telephone.

On 1 December 1999 the Group completed the acquisition of the Eurobet internet betting business.

The Company changed its name to Coral Eurobet plc on 2 May 2000.

**FUTURE DEVELOPMENTS**

The Directors believe that the business will continue to be enhanced by developing the Group's strong brand names and reputation, continuing to extend the geographical reach and the products of its internet businesses and further developing its betting shop and telebetting businesses.

**DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year ended 24 September 2000 are shown below:

**Non-executive**

| | |
|---|---|
| J E Derry-Evans | |
| R P Baker-Bates | (appointed 21 December 1999) |
| G S Hutton | |

**Executive**

| | |
|---|---|
| R Scott | |
| M G Mariscotti | (appointed 14 December 1999) |
| V T Ashdown | (appointed 28 March 2000) |
| T K Beaumont | (appointed 28 March 2000) |

A W Wyatt was appointed to the Board as a non-executive Director on 23 October 2000.

**DIRECTORS AND THEIR INTERESTS** (continued)
A table giving details of the Directors' interests as at 24 September 2000 is shown below and details of their emoluments can be seen in note 4 to the accounts on page 11.

| | *Ordinary shares 24 September 2000* | *Ordinary shares 25 September 1999 (or at appointment)* | *Options over Ordinary shares 24 September 2000* |
|---|---|---|---|
| **Executive** | | | |
| R Scott | 32,000 | 32,000 | – |
| M G Mariscotti | 3,603 | 3,603 | 1,449 |
| V T Ashdown | 7,615 | 6,640 | 965 |
| T K Beaumont | 7,615 | 6,640 | 965 |

R Scott holds £51,162 of Junior Subordinated Loan Notes.

The options over Ordinary shares were granted on 1 August 2000 under the terms of the Company's discretionary share option plan. The underlying shares are held by trustees and the options are exercisable in accordance with the rules at a price of £1 per share at any time up to ten years from the date of grant.

R P Baker-Bates and A W Wyatt have entered into agreements with Morgan Grenfell Private Equity Limited, whereby if the control of the Company changes, they will receive 0.5% and 0.1% respectively of the shares owned or controlled by Morgan Grenfell Private Equity Limited.

None of the other Directors at 24 September 2000 had any interests which require disclosure under the Companies Act 1985.

**EMPLOYEE INVOLVEMENT**
The Group offers equal opportunities in recruitment, training and promotion and in terms and conditions of employment, without discrimination. A significant number of the Group's employees are part-time, reflecting the need to staff betting offices on a cost effective and flexible basis.

The Group gives consideration to applicants for employment from disabled persons where they can adequately fulfil the requirements of the job and makes every effort to retain any employee who becomes disabled.

The Group has an active policy of communicating to all its staff through a briefing system which ensures that staff are kept informed of business and strategic developments on a timely basis. Where relevant, staff are consulted at all levels on matters relating to their relevant area of business and on matters affecting their own employment circumstances.

**CHARITABLE AND POLITICAL DONATIONS**
During the period the Group made charitable contributions of £39,700 (period 18 December 1998 to 25 September 1999: £23,700) within the United Kingdom. The Group does not make political contributions.

**AUDITORS**
A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

J J T Cronk
Secretary

19 January 2001

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# REPORT OF THE AUDITORS

to the shareholders of Coral Eurobet plc

We have audited the accounts on pages 6 to 32, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

**Respective responsibilities of Directors and auditors**

As described on page 4 the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

**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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 24 September 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young.

Ernst & Young
Registered Auditor
London

19 January 2001

## GROUP PROFIT AND LOSS ACCOUNT
for the year ended 24 September 2000

| | Notes | *Year ended 24 September 2000 £000* | *Period from 18 December 1998 to 25 September 1999 £000* |
|---|---|---|---|
| **TURNOVER** | | | |
| Continuing operations - ongoing | 2 | 906,648 | 597,038 |
| - acquisitions | | 421,808 | – |
| | | 1,328,456 | 597,038 |
| Cost of sales | | (1,166,303) | (499,399) |
| Gross profit | | 162,153 | 97,639 |
| Administration costs | | (162,905) | (77,318) |
| Exceptional administration costs | 3 | (3,498) | – |
| | | (166,403) | (77,318) |
| Operating profit before amortisation of goodwill | | 5,462 | 26,161 |
| Amortisation of goodwill | | (9,712) | (5,840) |
| **OPERATING (LOSS)/PROFIT** | 3 | | |
| continuing operations – ongoing | | 28,251 | 20,321 |
| – acquisitions | | (32,501) | – |
| | | (4,250) | 20,321 |
| Net interest payable | 6 | (48,301) | (33,210) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | (52,551) | (12,889) |
| Tax on loss on ordinary activities | 7 | – | – |
| **LOSS FOR THE FINANCIAL PERIOD** | 18 | (52,551) | (12,889) |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
There are no recognised gains and losses other than the loss attributable to the shareholders of the Group of £52,551,000 for the year ended 24 September 2000 and the loss of £12,889,000 for the period from 18 December 1998 to 25 September 1999.

# RECONCILIATION OF SHAREHOLDERS' FUNDS
for the year ended 24 September 2000

| | *Year ended 24 September 2000 £000* | *Period from 18 December 1998 to 25 September 1999 £000* |
|---|---|---|
| Loss for the financial period | (52,551) | (12,889) |
| Share capital issued | – | 72 |
| Premium on shares issued | 21 | 814 |
| Capital reserve – issue of warrants | – | 35 |
| Net decrease in shareholders' funds | (52,530) | (11,968) |
| Opening shareholders' (deficit)/funds | (11,955) | 13 |
| Closing deficit on shareholders' funds | (64,485) | (11,955) |

# GROUP BALANCE SHEET
at 24 September 2000

| | Notes | 24 September 2000 £000 | 25 September 1999 £000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 8 | 357,547 | 355,331 |
| Tangible assets | 9 | 85,588 | 65,608 |
| Investments | 10 | 274 | – |
| | | 443,409 | 420,939 |
| **CURRENT ASSETS** | | | |
| Stocks | 11 | 398 | 464 |
| Debtors | 12 | 8,864 | 6,241 |
| Cash at bank and in hand | | 30,385 | 19,374 |
| | | 39,647 | 26,079 |
| **CREDITORS:** amounts falling due within one year | 13 | (64,081) | (30,212) |
| **NET CURRENT LIABILITIES** | | (24,434) | (4,133) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 418,975 | 416,806 |
| **CREDITORS:** amounts falling due after more than one year | 14 | (476,319) | (421,078) |
| **PROVISIONS FOR LIABILITIES AND CHARGES** | 15 | (7,141) | (7,683) |
| | | (64,485) | (11,955) |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 17 | 85 | 85 |
| Share premium account | 18 | 835 | 814 |
| Capital reserve | 18 | 35 | 35 |
| Profit and loss account | 18 | (65,440) | (12,889) |
| **EQUITY SHAREHOLDERS' FUNDS** | | (64,485) | (11,955) |

M G Mariscotti
Director

19 January 2001

# COMPANY BALANCE SHEET
at 24 September 2000

| | Notes | *24 September 2000 £000* | *25 September 1999 £000* |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 10 | 13 | 13 |
| | | 13 | 13 |
| **CURRENT ASSETS** | | | |
| Debtors | 12 | 908 | 891 |
| Cash at bank and in hand | | 4 | – |
| | | 912 | 891 |
| | | 925 | 904 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 17 | 85 | 85 |
| Share premium account | 18 | 835 | 814 |
| Capital reserve | 18 | 35 | 35 |
| Profit and loss account | 18 | (30) | (30) |
| **EQUITY SHAREHOLDERS' FUNDS** | | 925 | 904 |

M G Mariscotti
Director

19 January 2001

## GROUP STATEMENT OF CASH FLOWS
for the year ended 24 September 2000

| | Notes | Year ended 24 September 2000 £000 | Period from 18 December 1998 to 25 September 1999 £000 |
|---|---|---|---|
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | 19(a) | 28,974 | 41,710 |
| **RETURNS ON INVESTMENT AND SERVICING OF FINANCE** | | | |
| Interest received | | 706 | 3,745 |
| Interest paid | | (22,324) | (11,773) |
| Issue costs on new long-term loans | | (257) | (17,299) |
| | | (21,875) | (25,327) |
| **TAXATION** | | | |
| UK corporation tax paid | | (931) | (8,214) |
| **CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT** | | | |
| Payments to acquire tangible fixed assets | | (24,532) | (10,066) |
| Payments to acquire trade investment | | (269) | – |
| Receipts from sales of tangible fixed assets | | 726 | 108 |
| | | (24,075) | (9,958) |
| **ACQUISITIONS AND DISPOSALS** | | | |
| Acquisition of Coral Group | | – | (266,075) |
| Loans settled on acquisition of Coral Group | | – | (134,680) |
| Acquisition of Eurobet | 20 | (6,313) | – |
| Other acquisitions | 20 | (6,762) | (6,658) |
| Net cash acquired on acquisitions | 20 | 2,325 | 11,852 |
| | | (10,750) | (395,561) |
| **NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING** | | (28,657) | (397,350) |
| **FINANCING** | | | |
| Issue of ordinary share capital | | 16 | 876 |
| New long-term loans | 19(c) | 39,670 | 544,181 |
| Repayment of long-term loans | 19(c) | (18) | (128,333) |
| **TOTAL FINANCING** | | 39,668 | 416,724 |
| **INCREASE IN CASH** | | 11,011 | 19,374 |

## 1. ACCOUNTING POLICIES

***Basis of preparation***
These accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

***Fundamental accounting concept***
During the year the Group incurred a loss after tax of £52.6 million and on the balance sheet date its liabilities exceeded its assets by £64.5 million.

The Group currently has £4 million undrawn on a revolving credit facility agreement, available until 31 August 2005 and a £15 million commitment for additional funding from Morgan Grenfell Private Equity Limited, to meet the Group's working capital requirements.

The continued operation of the Group is dependant on it being able to meet its capital repayment obligations and its cash interest obligations as they fall due and adhere to the financial covenants in its facility agreements. The loss after tax included £24.1 million of non-cash interest that under the terms of the relevant facility agreements would only be payable in cash if certain financial ratio targets are exceeded, but otherwise is not payable until maturity in 2009. The Directors do not expect these financial ratio targets to be exceeded in the foreseeable future, based on the Group's forecasts, and hence do not expect this interest to be payable until maturity.

The Directors do not believe that the current capital structure of the Group is optimal and are currently assessing alternative refinancing structures. The Directors believe the Group is likely to be successfully refinanced in the foreseeable future. However, there can be no certainty that a successful refinancing will be achieved and if a refinancing did not occur, the Group may need to change its capital and revenue expansion plans to ensure that it remains able to meet the requirements of its existing facility agreements.

The Directors have considered the adequacy of the working capital available and the future financing requirements of the Group and are satisfied that it is appropriate for the accounts to be prepared on the going concern basis. The accounts do not include any adjustments which would be necessary should the going concern basis prove to be inappropriate.

***Basis of consolidation***
The Group accounts include the audited accounts of the Company and its subsidiary undertakings. All subsidiaries prepare their annual accounts to the last Sunday in September. The results of businesses acquired, or disposed of, are included for the period during which they were under the Group's control. In accordance with section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented.

***Turnover***
Turnover comprises customers' stakes received in respect of bookmaking transactions and net cash receipts from amusement-with-prizes machines. For greyhound stadia, turnover is stated net of value added tax.

***Foreign currency***
Profit and loss items denominated in foreign currencies are translated into sterling at average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at period end rates of exchange. Exchange differences are taken to the profit and loss account.

***Intangible fixed assets***
The Group capitalises betting office licences and trademarks acquired and the Directors carry out an annual review to ensure that these values are not impaired. Licences and trademarks are not amortised as they are regarded as having indefinite lives.

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired, including amounts attributed to licences and trademarks, and is capitalised and amortised over a period not exceeding 20 years. It is reviewed for impairment at the end of the first full financial year following the year of acquisition and in other periods where there are indications of impairment.

***Tangible fixed assets and depreciation***
Freehold land is not depreciated. The cost of tangible fixed assets less estimated residual value is written off in equal monthly instalments over their expected useful lives – freehold buildings and long leasehold properties over 50 years, short leasehold properties over the life of the lease, equipment, fixtures and fittings between three and ten years and motor vehicles between four and five years. The carrying values of tangible fixed assets are reviewed where there are indications of impairment.

***Stock***
Stock is valued at the lower of cost and net realisable value.

***Deferred taxation***
Deferred taxation is accounted for under the liability method on timing differences between profit as computed for taxation purposes and profit as stated in the accounts, where these are likely to crystallise in the foreseeable future.

***Leases***
Operating lease rentals are charged to the profit and loss account as incurred. Provision is made for future rentals where properties are not in use at the period end.

***Pensions***
Contributions are made to the Coral Pension Plan on the basis of actuarial advice and are charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees.

***Financial instruments***
The Group makes use of interest rate swaps to manage financial risk. Interest rate swaps are treated as hedges, and the net interest payable or receivable is reflected in the profit and loss account.

***Sponsorship and advertising costs***
Sponsorship costs are written off over the period to which the sponsorship relates. Advertising costs are expensed as incurred.

***Capital instruments***
Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

***Repairs and maintenance***
Expenditure on repairs and maintenance undertaken is charged to the profit and loss account as incurred.

**2. TURNOVER AND SEGMENTAL ANALYSIS**

The Group turnover, operating profit and net assets, relate solely to betting and bookmaking services.

Group turnover, operating profit and net operating assets are analysed geographically as follows:

| | *Year ended 24 September 2000 £000* | *Period from 18 December 1998 to 25 September 1999 £000* |
|---|---|---|
| Turnover by origin: | | |
| United Kingdom | 919,533 | 597,038 |
| Continental Europe | 408,923 | – |
| | 1,328,456 | 597,038 |
| Turnover by market: | | |
| United Kingdom | 919,305 | 597,038 |
| Continental Europe | 58,957 | – |
| Asia | 350,194 | – |
| | 1,328,456 | 597,038 |
| Operating profit/(loss): | | |
| United Kingdom | 14,878 | 20,321 |
| Continental Europe | (19,128) | – |
| | (4,250) | 20,321 |
| Net interest payable | (48,301) | 33,210 |
| Loss on ordinary activities before taxation | (52,551) | (12,889) |
| Net operating assets/(liabilities): | | |
| United Kingdom | 426,455 | 412,045 |
| Continental Europe | (1,747) | – |
| | 424,708 | 412,045 |
| Unallocated liabilities | (489,193) | (424,000) |
| | (64,485) | (11,955) |

In the year ended 24 September 2000 the following amounts are included relating to acquisitions: Turnover by origin, £12,885,000 in the United Kingdom and £408,923,000 in Continental Europe; turnover by market, £12,657,000 in the United Kingdom, £58,957,000 in Continental Europe and £350,194,000 in Asia; operating loss by origin, £13,373,000 in the United Kingdom and £19,128,000 in Continental Europe. At 24 September 2000 net assets are included relating to acquisitions of £8,973,000 in the United Kingdom and net liabilities of £1,747,000 in Continental Europe.

In arriving at operating profit/(loss), the following amounts in respect of acquisitions have been charged: Cost of sales, £420,251,000; administration expenses, £34,058,000.

Unallocated assets and liabilities comprise borrowings, investments and taxation.

## 3. OPERATING PROFIT

This is stated after charging the following:

| | *Year ended 24 September 2000 £000* | *Period from 18 December 1998 to 25 September 1999 £000* |
|---|---|---|
| Amortisation of goodwill | 9,712 | 5,840 |
| Depreciation of owned tangible fixed assets | 6,270 | 4,650 |
| Betting duty | 59,915 | 38,734 |
| Horse racing and greyhound racing levies | 10,063 | 5,232 |
| Sponsorship and advertising costs | 27,176 | 1,419 |
| Operating lease rentals: | | |
| Property | 11,620 | 6,590 |
| Hire of equipment | 3,933 | 2,590 |
| Auditors' remuneration: | | |
| Audit services | 135 | 95 |
| Non-audit services | 611 | 87 |
| Loss on disposal of fixed assets | 22 | 24 |

Additional non-audit fees of £962,000 (period from 18 December 1998 to 25 September 1999: £618,000) paid to Ernst & Young during the year were accounted for as costs on acquisition and issuing of finance.

***Operating exceptional item***

| | *Year ended 24 September 2000 £000* | *Period from 18 December 1998 to 25 September 1999 £000* |
|---|---|---|
| Operating exceptional costs | 3,498 | – |

The Group has incurred costs totalling £3,498,000 in connection with a proposed flotation of the business. On completion of any flotation, these costs should be available to set off against the share premium arising to the extent that new shares are issued at a premium on flotation. In the meantime, the costs are being charged to the profit and loss account as they are incurred.

## 4. DIRECTORS' REMUNERATION

The aggregate emoluments of the Directors of the Company, holding office during the year was as follows:

| | *Year ended 24 September 2000* | *Period from 18 December 1998 to 25 September 1999* |
|---|---|---|
| | *£000* | *£000* |
| Emoluments | 868 | 124 |
| Payments to third parties for making available the services of Directors to the Company | 25 | 30 |
| Compensation for loss of office | – | 200 |
| | 893 | 354 |

Retirement benefits were accruing in respect of qualifying services under the Coral Pension Plan for 4 Directors (period from 18 December 1998 to 25 September 1999: one Director).

The amounts in respect of the highest paid Director are:

| | *£000* | *£000* |
|---|---|---|
| Emoluments | 340 | 124 |
| Accrued pensions | 11 | 2 |

## 5. STAFF COSTS

| | *Year ended 24 September 2000* | *Period from 18 December 1998 to 25 September 1999* |
|---|---|---|
| | *£000* | *£000* |
| Wages and salaries | 53,958 | 29,314 |
| Social security costs | 3,735 | 1,918 |
| Pension costs | 3,303 | 1,922 |
| | 60,996 | 33,154 |

The average number of employees, including part-time employees, in the Group during the year was 5,163 (period from 5 February 1999 to 25 September 1999: 4,832). There were no employees, other than the Directors, from the date of incorporation to 4 February 1999, prior to the acquisition of Coral Group.

## 6. NET INTEREST PAYABLE

| | *Year ended 24 September 2000* | *Period from 18 December 1998 to 25 September 1999* |
|---|---|---|
| | *£000* | *£000* |
| Interest payable: | | |
| Cash interest | | |
| Bank loans | (14,408) | (10,746) |
| Other loans | (8,103) | (4,625) |
| | (22,511) | (15,371) |
| Payment-in-kind interest | | |
| Other loans | (24,140) | (17,609) |
| Total interest payable | (46,651) | (32,980) |
| Amortisation of issue costs | (2,264) | (3,863) |
| Commitment fee on revolving credit facility | (91) | (112) |
| | (49,006) | (36,955) |
| Interest receivable: | | |
| Bank deposits | 705 | 688 |
| Amounts held in escrow (note 20) | – | 3,057 |
| | 705 | 3,745 |
| | (48,301) | (33,210) |

## 7. TAX ON LOSS ON ORDINARY ACTIVITIES

There was no tax charge for the year ended 24 September 2000 (period from 18 December 1998 to 25 September 1999: nil).

Had the full amount of potential deferred taxation been provided, the tax charge would be increased as follows:

| | *Year ended 24 September 2000* | *Period from 18 December 1998 to 25 September 1999* |
|---|---|---|
| | *£000* | *£000* |
| Accelerated capital allowances | 2,172 | 99 |

## 8. INTANGIBLE FIXED ASSETS

| *Group* | *Licences* *£000* | *Trademarks* *£000* | *Goodwill* *£000* | *Total* *£000* |
|---|---|---|---|---|
| Cost: | | | | |
| At 26 September 1999 | 176,285 | – | 184,886 | 361,171 |
| Acquisition of Eurobet (note 20) | – | 200 | 5,856 | 6,056 |
| Other acquisitions (note 20) | 5,951 | – | – | 5,951 |
| Disposals | (79) | – | – | (79) |
| At 24 September 2000 | 182,157 | 200 | 190,742 | 373,099 |
| Amortisation: | | | | |
| At 26 September 1999 | – | – | 5,840 | 5,840 |
| Provision for the period | – | – | 9,712 | 9,712 |
| At 24 September 2000 | – | – | 15,552 | 15,552 |
| Net book value: | | | | |
| At 24 September 2000 | 182,157 | 200 | 175,190 | 357,547 |
| At 25 September 1999 | 176,285 | – | 179,046 | 355,331 |

The opening goodwill related to the acquisition of the Coral Group and is being amortised over 20 years.

## 9. TANGIBLE FIXED ASSETS

| *Group* | *Freehold land and buildings £000* | *Long leasehold buildings £000* | *Short leasehold buildings £000* | *Equipment and motor vehicles £000* | *Fixtures and fittings £000* | *Total £000* |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 26 September 1999 | 24,563 | 1,614 | 15,068 | 13,106 | 15,732 | 70,083 |
| Acquisition of Eurobet (note 20) | 1,225 | – | – | – | 315 | 1,540 |
| Other acquisitions (note 20) | 200 | – | 40 | – | 571 | 811 |
| Additions | 2,196 | – | 514 | 1,149 | 20,788 | 24,647 |
| Disposals | (312) | – | (7) | (614) | (122) | (1,055) |
| At 24 September 2000 | 27,872 | 1,614 | 15,615 | 13,641 | 37,284 | 96,026 |
| Depreciation: | | | | | | |
| At 26 September 1999 | 80 | 22 | 1,168 | 309 | 2,896 | 4,475 |
| Provided during the period | 153 | 30 | 1,893 | 555 | 3,639 | 6,270 |
| On disposals | (7) | – | (7) | (263) | (30) | (307) |
| At 24 September 2000 | 226 | 52 | 3,054 | 601 | 6,505 | 10,438 |
| Net book value: | | | | | | |
| At 24 September 2000 | 27,646 | 1,562 | 12,561 | 13,040 | 30,779 | 85,588 |
| At 25 September 1999 | 24,483 | 1,592 | 13,900 | 12,797 | 12,836 | 65,608 |

Assets in the course of construction of £6.8 million are included in equipment and motor vehicles and are not depreciated (25 September 1999: £4.6 million).

At the balance sheet date the Group had capital commitments, for items contracted for but not provided, totalling £6.3 million (25 September 1999: £4.6 million).

## 10. INVESTMENTS

| | *Group Trade investment £000* | *Group Investment in own shares £000* | *Group Total £000* | *Company Subsidiary Undertakings £000* |
|---|---|---|---|---|
| At 26 September 1999 | – | – | – | 13 |
| Additions | 269 | 5 | 274 | – |
| At 24 September 2000 | 269 | 5 | 274 | 13 |

***Investment in own shares***

The investment in own shares consists of Ordinary shares held by Coral Trustees Limited, a wholly owned subsidiary, as trustee for the employee share option plan. At 24 September 2000, the Trust held 4,829 Ordinary shares of 1p each for the scheme. Purchases were financed by Coral Eurobet plc granting loans to Coral Trustees Limited.

## 10. INVESTMENTS (continued)

Options over these shares have been granted to certain Directors and senior employees, exercisable at £1 per share at any time prior to the tenth anniversary of issue.

The companies listed below include those which principally affect the profits and assets of the Group and are all wholly owned.

| *Country of incorporation and operation* | *Activities* |
|---|---|
| ***England*** | |
| Coral Group PLC* | Holding Company |
| Coral Group Trading Limited | Holding Company |
| Coral Racing Limited | Off course betting services |
| Coral Racing (Accounts) Limited | Telephone betting services |
| Coral Estates Limited | Estate management |
| Arthur Prince (Turf Accountants) Limited | Off course betting services |
| Coral Stadia Limited | Greyhound stadia management |
| Eurobet UK Limited | UK internet based betting services |
| ***Gibraltar*** | |
| Eurobet (Gibraltar) Limited | International internet based betting services |

* Shares held directly by Coral Eurobet plc

## 11. STOCK

| | *Group 24 September 2000 £000* | *Group 25 September 1999 £000* |
|---|---|---|
| Consumables | 398 | 464 |

The replacement cost of stocks is not materially different from their book value.

## 12. DEBTORS

| | *Group 24 September 2000 £000* | *Group 25 September 1999 £000* | *Company 24 September 2000 £000* | *Company 25 September 1999 £000* |
|---|---|---|---|---|
| Trade debtors | 1,743 | 1,572 | – | – |
| Amounts owed by group undertakings | – | – | 876 | 866 |
| Other debtors | 2,451 | 878 | 32 | 25 |
| Prepayments and accrued income | 4,670 | 3,791 | – | – |
| | 8,864 | 6,241 | 908 | 891 |

## 13. CREDITORS: amounts falling due within one year

| | *Group 24 September 2000 £000* | *Group 25 September 1999 £000* |
|---|---|---|
| Trade creditors | 13,450 | 1,342 |
| Bank overdrafts and borrowings (note 14) | 11,159 | – |
| UK corporation tax payable | 1,989 | 2,922 |
| Social security and other taxation | 8,425 | 7,593 |
| Other creditors | 8,917 | 6,754 |
| Accruals and deferred income | 19,341 | 11,601 |
| Deferred purchase consideration | 800 | – |
| | 64,081 | 30,212 |

**14. CREDITORS:** amounts falling due after one year

| *Borrowings* | | *Group 24 September 2000 £000* | *Group 25 September 1999 £000* |
|---|---|---|---|
| Bank loans | | | |
| Secured | – Term Loan facilities | 186,000 | 175,000 |
| | – Other | 583 | – |
| Other borrowings | | 186,583 | 175,000 |
| Unsecured: | | | |
| Junior Subordinated Loan Notes | | 139,235 | 115,472 |
| 10% Senior Subordinated Notes | | 80,000 | 80,000 |
| 13.5% Subordinated PIK Notes | | 66,804 | 58,567 |
| Unsecured Loan Notes | | 20,187 | – |
| Other loan | | 6,098 | 5,475 |
| | | 312,324 | 259,514 |
| Total borrowings | | 498,907 | 434,514 |
| Deferred issue costs | | (11,429) | (13,436) |
| | | 487,478 | 421,078 |
| Less amounts falling due within one year | | (11,159) | – |
| Amounts falling due after one year | | 476,319 | 421,078 |

The Group's borrowings at 24 September 2000 consisted principally of a Term Loan A of £125 million repayable by instalments between March 2001 and September 2005, a Term Loan B of £50 million repayable in September 2006 and £11 million drawn down on a revolving credit facility, all under a senior credit facility agreement, £80 million of Senior Subordinated Notes repayable February 2009, £67 million of Subordinated PIK Notes repayable September 2009, £139 million of Junior Subordinated Loan Notes repayable September 2010 and £20 million of Unsecured Loan Notes repayable September 2010.

***Term Loans***
The Term Loans are secured by first priority fixed and floating charges over all tangible and intangible assets of the Group. The application of proceeds of enforcement of this security above a certain level is subject to the provisions of an intercreditor deed (the "Intercreditor Deed") dated 5 February 1999.

The Intercreditor Deed sets out the respective rights of certain creditors of the Group as regards ranking of debt and security.

The Intercreditor Deed provides that the proceeds of all recoveries will be applied as follows:

(i) first, to the Term Loan facilities
(ii) second, to the Senior Subordinated Notes
(iii) third, to the Subordinated PIK Notes
(iv) fourth, to the Junior Subordinated Loan Notes

The Unsecured Loan Notes are subordinated to the Term Loans under the terms of the Note Instrument.

## 14. CREDITORS: amounts falling due after one year (continued)

Interest on advances under the senior credit facility is payable at the rate per annum equal to LIBOR plus the following margins:

(i) Term Loan A – 2.25% which reduced to 2.00% in December 2000 and reducing to 1.75% per annum in December 2002.

(ii) Term Loan B – 2.75% per annum.

***Senior Subordinated Notes***
Interest on the Senior Subordinated Notes is payable semi-annually.

***Subordinated PIK Notes***
Interest on the Subordinated PIK Notes is payable solely in additional Notes until 2002. Thereafter, interest will be payable in cash to the extent permitted by the Intercreditor Deed and otherwise in additional Notes.

***Junior Subordinated Loan Notes***
The Junior Subordinated Loan Notes carry a coupon of 10% until 30 September 2001 and 12.5% thereafter. All payments under the Junior Subordinated Loan Notes are subject to the Intercreditor Deed. The Intercreditor Deed does not permit cash payments on the Junior Subordinated Loan Notes as long as the senior credit facility is outstanding. In addition cash interest payments on the Junior Subordinated Loan Notes are restricted by the provisions of Indenture. Where payment in cash is blocked by the Intercreditor Deed, the Group must make payments in additional Junior Subordinated Loan Notes in a nominal amount equal to the amount of interest payable.

***Unsecured Loan Notes***
The Unsecured Loan Notes carry a coupon of 10% until 30 September 2001 and 12.5% thereafter. Cash payment of interest may only be made with the consent of the agent to the senior credit facility. Interest that is not paid in cash will instead be paid in Loan Notes.

As an integral part of the debt finance arrangements secured by the Group, certain restrictive financial covenants are in place. The covenants do not detract from the normal course of business.

**14. CREDITORS:** amounts falling due after one year (continued)

| *Group* | *Bank loans 24 September 2000 £000* | *Other borrowings 24 September 2000 £000* | *Total 24 September 2000 £000* | *Total 25 September 1999 £000* |
|---|---|---|---|---|
| Analysis by year of repayment due: | | | | |
| Within one year | 8,177 | 3,046 | 11,223 | – |
| Between one and two years | 22,865 | 3,046 | 25,911 | 10,237 |
| Between two and five years | 89,811 | – | 89,811 | 78,238 |
| After five years | 65,730 | 306,232 | 371,962 | 346,039 |
| Due after more than one year | 178,406 | 309,278 | 487,684 | 434,514 |
| | 186,583 | 312,324 | 498,907 | 434,514 |
| Less issue costs | (4,322) | (7,107) | (11,429) | (13,436) |
| Total borrowings at 24 September 2000 | 182,261 | 305,217 | 487,478 | 421,078 |
| Total borrowings at 25 September 1999 | 169,656 | 251,422 | 421,078 | |

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

*Group*

| *Vacant leasehold provision* | *24 September 2000 £000* | *25 September 1999 £000* |
|---|---|---|
| Opening balance | 7,683 | – |
| On acquisition of Coral Group | – | 8,300 |
| Provided in the period | 1,001 | – |
| Utilised in the period | (769) | (473) |
| Unused amounts released in the period | (774) | (144) |
| Closing balance | 7,141 | 7,683 |

The provision relates to leases that expire within 15 years.

**16. DEFERRED TAXATION**

There is no provision for deferred taxation as at 24 September 2000. If full provision for deferred taxation had been made, the following amounts would have been required:

| | *Group 24 September 2000 £000* | *Group 25 September 1999 £000* |
|---|---|---|
| Not provided: | | |
| Accelerated capital allowances | 3,218 | 1,046 |

In addition, the Group has trading losses at 24 September 2000 which have no expiry date of £50.3 million (25 September 1999: £4.6 million), which can be carried forward to offset against taxable profits of future periods.

**17. SHARE CAPITAL**

| | *Ordinary shares of 1p* | | *'A' shares of 10p* | | *Total* |
|---|---|---|---|---|---|
| | *No.* | *£* | *No.* | *£* | *£* |
| *Authorised:* | | | | | |
| At 25 September 1999 and 24 September 2000 | 80,000 | 800 | 1,000,000 | 100,000 | 100,800 |

| | *Ordinary shares of 1p* | | *'A' shares of 10p* | | *Total* |
|---|---|---|---|---|---|
| | *No.* | *£* | *No.* | *£* | *£* |
| *Allotted, called up and fully paid:* | | | | | |
| At 25 September 1999 | 59,157 | 592 | 840,000 | 84,000 | 84,592 |
| Issued in the period | 20,843 | 208 | – | – | 208 |
| At 24 September 2000 | 80,000 | 800 | 840,000 | 84,000 | 84,800 |

The Ordinary shares and 'A' shares rank pari passu in all respects other than as regards rights in liquidation and other than on an initial public offering or sale of shares carrying over 50% of the voting rights in the Company, when a proportion of the 'A' shares shall be converted into Deferred shares in the Company and the remainder of the 'A' shares into an equal number of Ordinary shares. The number of 'A' shares to be converted into Deferred shares will be determined by the calculation as defined in the Articles of Association of the Company.

Upon liquidation or winding-up of the Company, after all debts and liabilities of the Company and the expenses of the liquidation have been discharged, and subject to any provision made for employees, and after payment in full of the amounts paid up on the 'A' shares then in issue and subsequently payment in full of the amounts paid up on the Ordinary shares then in issue including in both cases any premium at which those shares were issued (to the extent that such amounts have not been distributed by way of bonus issue or repayment of capital in respect of those shares), any surplus assets are divided among the holders of 'A' shares and Ordinary shares in proportion to their shareholdings.

The rights of the Deferred shares entitle a return of capital on a winding up but not otherwise only to repayment of the amount paid up on the shares after repayment to each holder of an Ordinary share of a sum equal to the capital paid up on that share plus £10,000,000. The holders of Deferred shares do not receive any dividend or other distribution of the Company and are not entitled to vote at any general meeting of the Company.

In connection with the issue of the Subordinated PIK Notes, warrants were issued to apply for a maximum 35,000 'A' shares immediately prior to conversion on sale or flotation (each as defined in the Articles of Association of the Company) at 10p per 'A' share.

On 14 November 1999 and 22 February 2000 respectively, 14,777 and 1,987 Ordinary shares were issued for cash to Directors and employees of the Company at £1 each. On 9 May 2000 4,079 Ordinary shares were issued to Coral Trustees Limited at £1 each.

## 18. RESERVES

| *Group* | *Share premium account £000* | *Capital reserve £000* | *Profit and loss account £000* | *Total £000* |
|---|---|---|---|---|
| At 26 September 1999 | 814 | 35 | (12,889) | (12,040) |
| Arising on shares issued in the period | 21 | – | – | 21 |
| Loss for the period | – | – | (52,551) | (52,551) |
| At 24 September 2000 | 835 | 35 | (65,440) | (64,570) |

| *Company* | *Share premium account £000* | *Capital reserve £000* | *Profit and loss account £000* | *Total £000* |
|---|---|---|---|---|
| At 26 September 1999 | 814 | 35 | (30) | 819 |
| Arising on shares issued in the period | 21 | – | – | 21 |
| At 24 September 2000 | 835 | 35 | (30) | 840 |

The capital reserve represents the discount arising on the issue of the Subordinated PIK Notes, being the amount of the proceeds attributable to the warrants.

## 19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating (loss)/profit to net inflow from operating activities:

| | *Year ended 24 September 2000 £000* | *Period 18 December 1998 to 25 September 1999 £000* |
|---|---|---|
| Operating (loss)/profit | (4,250) | 20,321 |
| Amortisation | 9,712 | 5,840 |
| Depreciation | 6,270 | 4,650 |
| Loss on sale of fixed assets | 22 | 24 |
| Decrease/(increase) in stocks | 66 | (3) |
| Increase in debtors | (2,623) | (1,157) |
| Increase in creditors | 20,319 | 12,652 |
| Decrease in provisions | (542) | (617) |
| | 28,974 | 41,710 |

(b) Analysis of net debt:

| | *Cash at bank and in hand £000* | *Borrowings £000* | *Net debt £000* |
|---|---|---|---|
| At 26 September 1999 | 19,374 | (421,078) | (401,704) |
| Cash flow | 11,011 | (39,395) | (28,384) |
| On acquisition of Eurobet | – | (601) | (601) |
| Other non-cash | – | (26,404) | (26,404) |
| At 24 September 2000 | 30,385 | (487,478) | (457,093) |

(c) Reconciliation of net cash flow to movement in net debt:

| | *Year ended 24 September 2000 £000* | *Period from 18 December 1998 to 25 September 1999 £000* |
|---|---|---|
| Increase in cash in the period | 11,011 | 19,374 |
| Cash outflow from payment of issue costs | 257 | 17,299 |
| Cash inflow from increase in loans | (39,670) | (544,181) |
| Repayment of long-term loans | 18 | 128,333 |
| Change in net debt resulting from cash flows | (28,384) | (379,175) |
| On acquisition of Coral Group | – | (5,475) |
| On acquisition of Eurobet | (601) | – |
| Amortisation of deferred issue costs | (2,264) | (3,863) |
| Debt issued for payment-in-kind interest | (24,140) | (13,191) |
| Movement in net debt | (55,389) | (401,704) |
| Opening net debt | (401,704) | – |
| Closing net debt | (457,093) | (401,704) |

## 20. ACQUISITIONS

On 1 December 1999 the Group completed the acquisition of the Eurobet business from its existing management.

The fair values attributed to the business were as follows:

| | *Book value at acquisition £000* | *Fair value adjustments £000* | *Fair value to the Group £000* |
|---|---|---|---|
| Intangible fixed assets – trademarks | – | 200 | 200 |
| Tangible fixed assets | 1,327 | 213 | 1,540 |
| Debtors | 118 | – | 118 |
| Cash | 2,325 | – | 2,325 |
| Creditors: amounts falling due within one year | (2,325) | – | (2,325) |
| Creditors: amounts falling due after more than one year | (601) | – | (601) |
| Provisions for liabilities and charges | (10) | 10 | – |
| Net assets acquired | 834 | 423 | 1,257 |

| | |
|---|---|
| Consideration: | |
| Initial cash | 5,328 |
| Legal and other costs | 985 |
| Total cash | 6,313 |
| Deferred consideration | 800 |
| | 7,113 |
| Goodwill | 5,856 |

The fair value adjustments include the following:

(i) a valuation of the trademarks, to reflect the Directors' assessment of their fair value at acquisition; and

(ii) an increase in the valuation of property, based on an independent valuation.

Under the acquisition agreement, further consideration was payable if the earnings of Eurobet (excluding certain marketing, development and other costs) for the 12 month period following the acquisition exceeded a minimum figure. Prior to completion of this 12 month period, the Directors and the prior Eurobet management agreed an amount of £800,000 in full settlement of the further consideration. This amount is payable on, or before, a sale or flotation of the Group.

The goodwill arising on the acquisition is being amortised over 10 years.

Eurobet made a profit after taxation of £1.8 million in the period from 1 June 1999 to 30 November 1999 (11 months ended 31 May 1999: £0.2 million).

Eurobet utilised £16.8 million of the Group's net operating cash flow in the year ended 24 September 2000.

**20. ACQUISITIONS** (continued)

The Group made other acquisitions of a further 23 shops in the year. The fair values attributed to these acquisitions were as follows:

| | *Book value at acquisition £000* | *Fair value adjustments £000* | *Fair value to the Group £000* |
|---|---|---|---|
| Intangible fixed assets – licences | – | 5,951 | 5,951 |
| Tangible fixed assets | 811 | – | 811 |
| | 811 | 5,951 | 6,762 |
| Cash consideration | | | 6,762 |

The fair value adjustments are the valuations of betting office licences to reflect the Directors' assessment of their fair value.

**21. DERIVATIVES AND FINANCIAL INSTRUMENTS**

The Group's principal financial instruments, other than derivatives, comprise bank loans, loan notes and cash. The main purpose of these instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors, trade creditors, accruals and provisions that arise directly from its operations. It is the Group's policy not to trade in financial instruments.

The main risk arising from the Group's financial instruments is interest rate risk. The Group has entered into an interest rate swap to manage the interest rate risk arising from the Group's operations and its sources of finance. The Board reviews its policy for managing this risk, which is summarised below.

As a result of the acquisition of Eurobet, the Group also has transactional currency exposures. These arise from taking bets and settling payouts in currencies other than sterling. The majority of the Group's transactions are sterling denominated and the currency exposures are reduced by the Group matching assets and liabilities in each currency where possible and by settling payouts in the currency in which the bet was placed, resulting in lower cash balances being maintained in currencies other than sterling. As a result, the Group does not use derivatives in relation to these exposures. The Group reviews this exposure on an ongoing basis.

The Group's financial assets comprise the trade investment and the cash balance which is held on money market deposit at call.

The disclosures below exclude short-term debtors and creditors.

**21. DERIVATIVES AND FINANCIAL INSTRUMENTS** (continued)

***Interest rate risk***
The Group borrows at both fixed and floating rates of interest and then uses interest rate swaps, where appropriate, to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

***Interest rate agreement***
Under the senior credit facility agreement, the Group was required to hedge two-thirds of its interest rate exposure under the Term Loans for a minimum of three years. The Group entered into an interest rate

swap under which it receives interest at six-month LIBOR and pays interest at an effective rate of 5.545%, which commenced April 1999 and expires 31 March 2003, on reducing principal amounts as follows:

| | *£000* |
|---|---|
| 1 April 1999 – 31 March 2001 | 117,250 |
| 1 April 2001 – 30 September 2001 | 112,225 |
| 1 October 2001 – 31 March 2002 | 107,200 |
| 1 April 2002 – 30 September 2002 | 98,155 |
| 1 October 2002 – 31 March 2003 | 89,100 |

***Interest rate risk profile of financial liabilities***
The interest rate profile of the financial liabilities of the Group was as follows:

| | *Total £000* | *Fixed rate financial liabilities £000* | *Floating rate financial liabilities £000* | *Financial liabilities on which no interest is paid £000* |
|---|---|---|---|---|
| Sterling: | | | | |
| At 24 September 2000 | 494,619 | 419,680 | 67,798 | 7,141 |
| At 25 September 1999 | 428,761 | 365,370 | 55,708 | 7,683 |

The floating rate financial liabilities comprise the proportion of the Term Loan facilities that are not hedged by the interest rate swap and bear interest at rates based on the six-month LIBOR.

| | *Fixed rate financial liabilities* | | *Financial liabilities on which no interest is paid* |
|---|---|---|---|
| | *Weighted average interest rates %* | *Weighted average period for which rate is fixed Years* | *Weighted average period Years* |
| Sterling: | | | |
| At 24 September 2000 | 10.9 | 7.2 | 5.8 |
| At 25 September 1999 | 10.7 | 7.7 | 7.0 |

## 21. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

***Maturity of financial liabilities***
The maturity profile of the Group's financial liabilities was as follows:

| | *24 September 2000 £000* | *25 September 1999 £000* |
|---|---|---|
| Due: | | |
| In one year or less | 11,642 | 794 |
| Between one and two years | 26,120 | 10,748 |
| Between two and five years | 90,080 | 78,212 |
| After five years | 366,777 | 339,007 |
| | 494,619 | 428,761 |

***Borrowing facilities***
The senior credit facility also includes a £15 million revolving credit facility, available until 31 August 2005, of which £4 million was undrawn at 24 September 2000 (25 September 1999: £15 million).

***Fair value of financial assets and financial liabilities***
The book values and fair values of the Group's financial assets and financial liabilities were:

| | *Book value 24 September 2000 £000* | *Fair value 24 September 2000 £000* | *Book value 25 September 1999 £000* | *Fair value 25 September 1999 £000* |
|---|---|---|---|---|
| *Primary financial instruments:* | | | | |
| Trade investments | 269 | 269 | – | – |
| Cash | 30,385 | 30,385 | 19,374 | 19,374 |
| Borrowings | (487,478) | (497,358) | (421,078) | (412,974) |
| Provisions | (7,141) | (7,141) | (7,683) | (7,683) |
| *Derivative financial instruments held to manage the interest risk profile:* | | | | |
| Interest rate swap | – | 1,960 | – | 4,170 |

Market values have been used to determine the fair value of the Senior Subordinated Notes and the Subordinated PIK Notes. The fair value of the interest rate swap has been calculated by discounting the expected future cash flows at prevailing interest rates.

The Junior Subordinated Loan Notes which are specific to the Group, cannot be assigned and accordingly, a fair value cannot be determined. The carrying value of £139.2 million has therefore been included as their fair value.

## 21. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

*Hedges*

At 24 September 2000, the unrecognised gain relating to the interest rate swap was £2.0 million (25 September 1999: £4.2 million). The recognition of this amount in the profit and loss account in future periods, based on current interest rates, is estimated to be £0.7 million within one year and £1.3 million after one year (25 September 1999: £0.7 million within one year and £3.5 million after one year). The gain relating to the interest rate swap included in the profit and loss account for the year ended 24 September 2000 that arose in the previous period was £0.7 million.

## 22. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

On 1 April 1999, the Group set up the Coral Pension Plan, which has both a defined benefit section and a defined contribution section and is funded by the payment of contributions to separately administered trust funds. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method.

The results of the first valuation which was conducted as at 31 March 2000, were based on the following assumptions:

| | |
|---|---|
| Rate of return in investments | 6.00% |
| Rate of salary increases | 4.00% |
| Rate of pension increases | 2.75% |

The market value of the Plan's assets were £59.4 million. The actuarial value of the Plan's assets represented 101% of the Plan's liabilities for accrued benefits, including allowance for projected future increases in salaries.

Prior to 1 April 1999, the Group was a member of the Bass Pension Plan and the Bass Executive Pension Plan, which were both defined benefit schemes and the assets of which were held in self-administered trust funds separate from Bass PLC's assets.

£56.5 million was transferred from the Bass schemes to the Plan for accrued benefits of Group employees, to ensure that the Plan was fully funded with effect from 1 April 1999.

The Group has no other significant post retirement benefit obligations.

## 23. FINANCIAL COMMITMENTS

Annual commitments under operating leases expire as follows:

| | *Property 24 September 2000 £000* | *Hire of equipment 24 September 2000 £000* | *Property 25 September 1999 £000* | *Hire of equipment 25 September 1999 £000* |
|---|---|---|---|---|
| Group | | | | |
| Within one year | 630 | – | 1,139 | – |
| Between two and five years | 2,887 | 4,055 | 3,863 | 3,648 |
| Over five years | 8,588 | – | 5,983 | – |
| Payments to be made during the next year | 12,105 | 4,055 | 10,985 | 3,648 |

The Group has sponsorship and advertising commitments of a maximum of £6.9 million at 24 September 2000 which are payable within 3 years.

## 24. RELATED PARTY TRANSACTIONS

Morgan Nominees Limited, as nominee for various Deutsche European Partners IV Funds, owns 47% of the share capital of the Company and certain Morgan Grenfell Private Equity Funds currently hold through nominee shareholders, 44% of the share capital of the Company. Both the Deutsche European Partners IV Funds and the Morgan Grenfell Private Equity Funds are managed by Morgan Grenfell Private Equity Limited, which indirectly controls the Company.

At 24 September 2000, the indebtedness of the Group included £159.4 million (25 September 1999: £115.5 million) due to Morgan Grenfell Private Equity Limited and the interest expense for the year ended 24 September 2000, included £15.3 million (period from 18 December 1998 to 25 September 1999: £9.6 million) due to Morgan Grenfell Private Equity Limited.

In the year ended 24 September 2000, the Group made no payments to Morgan Grenfell Private Equity Limited and affiliates (period from 18 December 1998 to 25 September 1999: £7.7 million in respect of arrangement fees, financial advice and other services).

On 11 October 2000 the Company issued £10 million Unsecured 12½% Loan Stock due 2010 to Morgan Grenfell Syndications Limited at par.