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# Directors

## Executive Directors

**D P Levy** (*Managing Director*)

**G McSloy** (*Finance Director*)

**R B Hersov** (*Part-time*)

**C B Lewis**

## Non-executive directors

**H T Stanton\*** (age 56)

*Chairman*

Managing Director of Allied London  
Properties Plc.

**G St G Hargreave\*** (age 50)

Chairman of Hargreave Hale (London) Limited,  
a partner of Hargreave Hale.

**J A Metliss\*** (age 49)

Senior Corporate Finance partner at  
S J Berwin & Co.

**D Romanelli\*** (age 55)

President of Warner Bros.  
Consumer Products Division.

\*Member of the audit and remuneration committees.

## Secretary

**S E Dixon**

## Registered office

1 Tenison Court  
Off Regent Street  
London  
W1R 5LP

**Company registration number**

00164062

1998

# Chairman's Statement

## General Review

Following the passing of the various resolutions at the Extraordinary General meeting held on 7 May 1998, your company ceased to be an investment trust and became a fully listed holding company. Your Board's strategy is to become an international group, specialising in the creation, development and management of brands and related services. We have established three divisions through which we operate:

- ENIC Entertainment
- ENIC Sports
- ENIC Media

## Entertainment

The acquisition of 80% of Warner Bros. Studio Stores Limited ("WBSS"), and the joint venture with Warner Bros. to develop entertainment restaurants on a worldwide basis, will provide us with access to a wide range of intellectual properties derived from their film and cartoon library and TV programming.

WBSS operates ten stores under licence from Warner Bros. Studio Stores International, through which it sells certain merchandise using or incorporating Warner Bros.' intellectual property. There are proposals to continue to develop the WBSS concept, by opening more stores throughout the United Kingdom, most likely in major shopping centres, and we are pleased to report on the recent opening of the first new store, in Dublin. Leases on two other new stores have been signed, the first of which is expected to open towards the end of this year, with the next scheduled for spring 1999. Although the retail environment is currently not an easy one in which to operate, it is giving us the opportunity of acquiring new sites on a more economic basis.

We are close to agreeing terms for the lease for the first entertainment restaurant concept, which we are confident will become an exciting and profitable venture, which will also further raise the awareness of the Warner Bros. brand. The first location will be in the USA.

## Sports

As previously reported to you, your company now owns 75.1% of Vicenza, 53.7% of Slavia Prague and 78.4% of AEK Athens. In addition we hold 25.1% of Rangers.

We were disappointed to learn of a sudden and unexpected ruling by UEFA regarding multi-ownership of football clubs. Their ruling, introduced on 19 May 1998, barred clubs under common control from competing in the same European competition. However, I am pleased to say that, on 16 July, the Court of Arbitration for Sport in Switzerland decided in favour of the application for interim relief by AEK and Slavia Prague, and confirmed that both clubs could participate in this season's UEFA Cup, along of course, with Rangers. We continue to seek discussions with UEFA to find appropriate means to maintain the sporting integrity of competitions, whilst not restricting investment into football. The exercise has obviously been time consuming and costly for the management of the business and distracting for the clubs but we are confident that the matter can be concluded satisfactorily and that we can continue to build the revenue base of the various franchises which comprise ENIC Sports.

We enjoyed mixed fortunes during the 1997/98 football season. Rangers made an early exit from both the Champions' League and the UEFA Cup and did not win a domestic trophy for the first time in twelve years, finishing runners-up in both the League and the Scottish Cup. They did qualify for this season's UEFA Cup, along with AEK and Slavia Prague. Vicenza remained in Serie A and reached the semi-final of the European Cup Winners' Cup, but were eliminated by Chelsea, the eventual winners of the trophy. I am pleased to report that Rangers and Slavia Prague are progressing well in this season's UEFA Cup, and we hope they will enjoy continuing success as the Competition progresses.

On 15 September, we announced the acquisition of a 50% interest in the Swiss football company, FC Basel Marketing AG. We look forward to working with the management team to enhance the club's future fortunes.

## Media

Our strategy is to find opportunities in the media sector, which have potential for significant growth. Autonomy was the first investment pursuant to this strategy. It is a leading developer of software, which organises and

# Chairman's Statement

continued

manages information principally on the internet and corporate intranets. I am pleased to report that in July 1998 a placing of Autonomy shares, linked with its listing on EASDAQ, enabled us to realise US \$8.1m (£4.9m) after costs on 40 % of our holding. This compares with our original cost of £6.2m for exercising our option over the entire holding. Our residual holding in Autonomy of approximately 9%, had a market value of US\$9.4m (£5.5m), based on a midmarket price of US\$2.625 (£1.54) on 19 October 1998.

## Financial Review

The result for the 15 month period was a loss before tax of £4.5 million (year to 31 March 1997 – profit of £1.4 million). The result reflects a combination of gains arising from investment trust activities which ceased on 7 May 1998, offset by the significant costs involved in re-positioning the company as a fully listed holding company and the completion of the acquisitions outlined above. As the subsidiaries and the associate company were acquired on May 7, only seven weeks trading results are incorporated into these financial statements.

In accordance with the Company's previously stated strategy of building the Group's equity value by investing in its subsidiaries so as to grow their revenues and enhance their long term prospects, the directors do not recommend the payment of a final dividend (year ended 31 March 1997 – 0.475p).

## Vicenza Calcio SpA

Shareholders will recall that an arrangement is in place with Estimator Limited, whereby ENIC will, if required, acquire the shares in Otto S.r.l (the holding company of Vicenza Calcio), held by Estimator. Following on from this agreement, your Board has now agreed in principle to acquire the shares in Otto held by Pangolin International Limited (a company associated with Mr Hersov) and Third Dimension Limited, the other minority shareholders in Otto, if required, at a price to be agreed. Since Mr Hersov is a director of ENIC, shareholder approval is required and we will be putting proposals to you later this year. Pangolin and Third Dimension each hold approximately 9% of the shares in Otto.

## Management

At the conclusion of the Extraordinary General Meeting held on 7 May, we welcomed Charles Lewis and Daniel Romanelli to your Board.

Charles Lewis is 35 years of age and is an executive director with particular responsibility for business development. He has many years' experience in the theme restaurant industry and will play a pivotal role in the entertainment restaurant concept.

Daniel Romanelli is aged 55 and is President of Warner Bros. Consumer Products Division. He will serve as a non-executive director and brings many years' business and corporate experience to your Board.

Christopher Clarke was appointed a Director of ENIC in 1975, and served the company extremely well for more than 23 years. It was agreed with Henderson plc, at the time of the offer by Pan-Caribbean Investments Inc. for ENIC, that Christopher would remain a Director until ENIC lost Investment Trust status. Accordingly, Christopher tendered his resignation and left your Board on 7 May 1998. I wish to place on record my sincere appreciation for the contribution made by Christopher to ENIC since I became Chairman and for all the previous years that he served your Company.

## Outlook

The Company continues to investigate a number of interesting opportunities to grow the business revenues, in order to enhance the long-term prospects of the three divisions.

We have previously explained to shareholders that our strategy is to focus on building the value of the business and that this may, initially, impact on the level of profits generated by the group. However we believe that we can add considerable value to the business, as we develop our subsidiaries.

H T Stanton  
20 October 1998

1998

# Report of the Directors

The directors present their report and the audited financial statements of the Group for the fifteen month period ended 30 June 1998.

## Activities and business review

Following the passing of various resolutions by shareholders on 7 May 1998, the Company became a fully listed holding company and made substantial progress towards achieving its stated strategy of becoming an international sports and entertainment group. The transactions approved on that day and outlined below resulted in the creation of three divisions: ENIC Sports, ENIC Entertainment and ENIC Media, through which the Group now operates:

### *ENIC Sports*

- the exercise of options over 45.2% of Otto, the holding company of Vicenza Calcio, taking the group's holding up to 75.1% of Vicenza
- the exercise of an option over 70.1% of ENIC Hellas, the holding company of AEK Athens, taking the group's holding up to 78.4% of AEK Athens
- the exercise of an option over 70.1% of ENIC Football Management, the holding company of Slavia Prague, taking the group's holding up to 53.7% of Slavia Prague
- the exercise of an option over 100% of Albany Inc. which holds 25.1% of The Rangers Football Club

### *ENIC Entertainment*

- the acquisition of 80% of Warner Bros. Studio Stores Limited
- the establishment of a joint venture providing for the design and development of an entertainment restaurant concept based on Warner Bros. intellectual property

### *ENIC Media*

- the exercise of an option over 100% of Siapita Inc. which, at the period end, held 20.1% of Autonomy Corporation plc (see "Post Balance Sheet Events" below for current position).

Further details of the acquisitions are given in note 23 on page 30.

Full details of the Company's subsidiary undertakings are shown in note 13 on page 24.

## Investment Trust Status

The Company ceased to be an investment trust following the Extraordinary General Meeting held on 7 May 1998. Up until that date, it had operated in accordance with section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of investment trust status has been received for the years ended 31 March 1996 and 1997. Application will be made for approval for the twelve months ended 31 March 1998 which will be the last period for which the Company applies for investment trust status.

## Post balance sheet events

In July 1998, the Company disposed of its equity investment portfolio for an aggregate consideration of £5.8m, realising a profit of £150,000.

On 15 July 1998, a placing of Autonomy shares, linked with its listing on EASDAQ, enabled the Group to realise US\$8.1m (£4.9m) after costs on 40% of its investment. This compares with the cost of £6.2m for exercising the option over the entire holding. The residual holding of 3,591,141 shares is valued at US\$9.4m (£5.5m) as at 19 October 1998.

On 15 September 1998, the Company announced that its subsidiary, ENIC Sports Sarl, had entered into an agreement to acquire a 50% interest in the Swiss football company, FC Basel Marketing AG, together with an option to acquire an additional 10% subject to certain conditions being met. Further details are given in note 33 on page 34.

## Results and Dividend

The results for the period and transfer from reserves are shown in the consolidated profit and loss account shown on page 11. In accordance with the Company's previously stated strategy of building the Group's equity value by investing in its subsidiaries so as to grow their revenues and enhance their long term prospects, the directors do not recommend the payment of a final dividend (year ended 31 March 1997 0.475p).

# Report of the Directors

continued

## Directors

The current directors of the Company are shown on page 1. During the period the following changes to the board took place:

- Mr R B Hersov was appointed on 14 August 1997
- Mr G McSloy was appointed on 1 January 1998
- Mr C B Lewis and Mr D Romanelli were appointed on 7 May 1998
- Mr C G Clarke resigned on 7 May 1998

In accordance with the Company's Articles of Association, at the forthcoming Annual General Meeting, Messrs Lewis, McSloy and Romanelli will offer themselves for election by the shareholders. Mr Metliss and Mr Stanton will retire by rotation and offer themselves for re-election.

## Directors' interests in contracts

Full details of directors' interests in contracts are shown in note 34 on pages 34 to 36.

## Creditors' payment policy

It is the Company's payment policy to obtain the best possible terms for all businesses and therefore there is no single policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. At 30 June 1998, the company had no trade creditors (1997: £nil). The Company's subsidiaries are free to settle their liabilities in accordance with local trading practices.

## Directors' interests

The interests of the directors (all beneficial, including spouses and minor children) in the issued share capital of the Company were:

|                  | Ordinary<br>shares at<br>30 June<br>1998 | Ordinary<br>shares at<br>1 April<br>1997* | Options<br>at<br>30 June<br>1998 | Options<br>at<br>1 April<br>1997* |
|------------------|--|---|----------------------------------|-----------------------------------|
| H T Stanton      | 75,872                                   | 75,872                                    | -                                | -                                 |
| D P Levy         | 4,151,745†                               | 151,745                                   | -                                | -                                 |
| R B Hersov       | 65,000                                   | 65,000                                    | 1,000,000††                      | -                                 |
| C B Lewis        | **20,378,169                             | -   | -                                | -                                 |
| G St G Hargreave | 151,744                                  | 151,744                                   | -                                | -                                 |
| D Romanelli††    | -  | -   | -                                | -                                 |
| J A Metliss      | 75,872                                   | 75,872                                    | -                                | -                                 |
| G McSloy         | -  | -   | 250,000                          | -                                 |

\* or on date of appointment, if later

\*\* held through Pan-Caribbean Investments Inc.

†Mr Levy's minor children are potential beneficiaries of a discretionary trust which owns the whole of the issued share capital of Larkin Limited (see below "Substantial Shareholders").

††Mr Romanelli is President of Warner Bros. Consumer Products division, an operating division of Time Warner Entertainment Company LP, which is interested in the 4,142,857 ordinary shares in the Company held by Time Warner Entertainment Limited.

†††See note 34(iv).

A Company wholly owned by a discretionary trust, of which Mr Levy and certain members of his family are potential beneficiaries, is interested in 7,500,000 deferred redeemable convertible shares of 0.25p (31 March 1997: same). Although the conversion criteria were satisfied during the period, no conversions took place.

Between 30 June 1998 and the date of this report, no changes in the interests of directors have been reported. Other than noted above, no right to subscribe for shares in or debentures of the company were granted to or exercised by any of the directors during the period.

## Substantial shareholders

As at 12 October 1998, the Company was aware, directly or indirectly, of the following interests of 3% or more in the Company's ordinary share capital:

|                                   | Number of shares | %     |
|-----------------------------------|------------------|-------|
| Pan-Caribbean Investments Inc*    | 20,378,169       | 21.15 |
| Warburg Dillon Reed               | 9,701,401        | 10.10 |
| Duval Corporation*                | 4,500,000        | 4.67  |
| Fleur Corporation*                | 4,500,000        | 4.67  |
| Peonies Limited*                  | 4,500,000        | 4.67  |
| Waymark Inc*                      | 4,500,000        | 4.67  |
| Time Warner Entertainment Limited | 4,142,857        | 4.30  |
| FNSA Holdings Limited             | 4,000,000        | 4.15  |
| Larkin Limited*                   | 4,000,000        | 4.15  |
| Merseyside Pension Fund           | 4,000,000        | 4.15  |
| Edinburgh Fund Managers           | 3,590,000        | 3.73  |
| Legat & General                   | 2,984,000        | 3.10  |
| Murray Johnstone                  | 2,977,400        | 3.10  |

\*persons deemed to be acting in concert with Pan-Caribbean Investments. The total number of shares held by members of the concert party is 44,829,914 (46.52%).

## ENIC 1998 share option scheme

On 7 May 1998, shareholders approved the establishment of the ENIC 1998 share option scheme which comprises an Inland Revenue approved scheme and an unapproved scheme. The aggregate number of ordinary shares that may be issued under the scheme is 5% of the issued share capital. As at the date of this report, 415,000 options exercisable at 250p per share under the unapproved scheme were in existence.

## Options granted to Farewell International Limited

1,000,000 options over ordinary shares were granted during the period to Farewell International Limited, a service Company wholly owned by Mr Hersov. Full details are set out in note 34(iv) on page 35.

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# Report of the Directors

continued

## Directors' power to allot shares

On 7 May 1998 an ordinary resolution was passed conferring on the directors the authority to allot ordinary shares up to a maximum nominal value of £1,384,526. This figure represented (i) one third of the nominal amount of the issued ordinary share capital immediately following the completion of the transactions approved by shareholders on that day, together with the nominal amount of ordinary shares which fall to be issued in respect of the convertible shares, the warrants and options and (ii) 75 per cent of the total ordinary share capital in issue as at 7 April 1998. This authority will terminate on 7 May 2003.

On the same day, a special resolution was passed, giving directors' general authority to allot shares for cash otherwise than pro-rata to existing shareholders up to a nominal value of £92,313 (being 5% of the issued ordinary share capital on 7 April 1998). It is proposed that this authority be renewed and accordingly, a special resolution will be proposed at the Annual General Meeting to give directors general authority to allot on a non pre-emptive basis up to a nominal value of £120,457 (being 5% of the issued capital at the date of the notice of meeting). This authority will expire at the date of the next Annual General Meeting.

The directors do not have any present intention of utilising this authority.

## Year 2000 Compliance

The group is in the process of assessing the risks resulting from the Year 2000 issue.

**ENIC Entertainment** is currently implementing new systems which, it is believed, will result in Year 2000 compliance.

**ENIC Sports** is also in the process of undergoing a review which may result in the implementation of a standard system across the various football clubs.

All other areas of the business are run on Year 2000 compliant hardware and software.

When all the respective areas of review are complete, the full impact on the business will be reviewed and an estimate of costs established. Whilst it is not believed that the impact on the business will be material, no business can

guarantee that there will be no Year 2000 problems. However, the board believes that its plans and the resources allocated are appropriate to address the issue.

## Annual General Meeting

The notice of the Annual General Meeting is shown on page 37.

## Auditors

Grant Thornton retire as auditors and offer themselves for reappointment in accordance with section 385 of the Companies Act 1985.

By Order of the Board



S E Dixon  
Secretary  
1 Tenison Court  
Off Regent Street  
London  
W1R 5LP  
20 October 1998

# Report of the Remuneration Committee

The Remuneration Committee was created during the period under review, and is comprised solely of non-executive directors and is chaired by Mr Stanton, the Chairman of the Company. The committee is a committee of the board of directors and has been established with formal terms of reference approved by the board. In framing its policy, the committee has complied with Section A and has given full consideration to the provisions of Section B of the Best Practice Provisions annexed to the Stock Exchange Listing Rules for listed companies.

## Policy on Executive Directors' Remuneration

The remuneration of the executive directors has been designed to reward them for enhancing shareholder value and return. There are a number of basic elements to the packages:

- (i) basic annual salary
  - (ii) long term share incentives
  - (iii) discretionary bonus arrangements (none of which came into effect for the period under review)
  - (iv) contributions to personal pension plans
- Each executive director's package is

considered on an individual basis and comprises a combination of the component parts listed above.

## Options granted to Executive Directors

Mr McSloy was granted options over 250,000 ordinary shares, exercisable at 250p per share under the ENIC 1998 share option scheme. These options may be exercised between 7 May 2001 and 6 May 2008.

Farewell International Limited, a company owned by Mr Hersov was granted options over 1,000,000 ordinary shares. See note 34(iv) on page 35 for full details.

No director exercised any options during the period under review.

## Service contracts

The non-executive directors, including the chairman, do not have service contracts. The executive directors all have service contracts, none of which have notice periods exceeding twelve months. Mr McSloy and Mr Lewis are the only executive directors being proposed for election at the forthcoming annual general meeting. Mr McSloy's service contract is terminable on twelve months' notice on either side, and Mr Lewis' service contract is terminable on six months' notice on either side.

| Directors' emoluments  |  |  |  |                                 |    | 15 months ended<br>30 June<br>1998<br>Total<br>£'000 | Year ended<br>31 March<br>1997<br>Total<br>£'000 |
|------------------------|--|--|--|---------------------------------|----|--|--|
| Directors              | Performance<br>related<br>bonus<br>£'000 | Pension<br>scheme<br>contribution<br>£'000 | Fees paid to<br>third parties<br>£'000 | Relocation<br>expenses<br>£'000 |    |  |  |
| fees/salaries<br>£'000 |  |  |  |                                 |    |  |  |
| H T Stanton            | 25                                       | 100  | —                                      | —                               | —  | 125  | 6  |
| G St G Hargreave       | 6  | —  | —                                      | —                               | —  | 6  | 4  |
| J A Metliss            | 6  | —  | —                                      | —                               | —  | 6  | 4  |
| D P Levy               | 22                                       | —  | —                                      | 185†                            | —  | 207  | 10   |
| C G Clarke             | 10*                                      | —  | 1*                                     | 4                               | —  | 15   | 27   |
| R B Hersov             | 40**                                     | —  | —                                      | —                               | —  | 40   | —  |
| C B Lewis              | 1  | —  | —                                      | —                               | —  | 1  | —  |
| D Romanelli            | 1  | —  | —                                      | —                               | —  | 1  | —  |
| G McSloy               | 70                                       | —  | 12                                     | 8                               | 67 | 157  | —  |
|                        | 181                                      | 100  | 13                                     | 197                             | 67 | 558  | 51   |

\* Paid by Henderson

\*\* Paid by ENIC Sports Sarl

† For details of fees paid to Metropole Limited, a service company wholly owned by Mr Levy and members of his family, see note 34(ii) on page 34.

On Behalf of the Board

H T Stanton

Chairman, Remuneration Committee, 20 October 1998

*H. T. Stanton*



# Corporate Governance

The directors consider that during the period the Company has complied fully with the Code of Best Practice ("the Code") issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

## **The board and committees**

The board comprises four executive and four non-executive directors and meets regularly throughout the year. The board has established audit and remuneration committees with specific terms of reference and details of the membership of these committees are set out on page 1. Matters specifically reserved for decision by the full board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

## **Going concern**

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the group has sufficient cash and short term deposits available to meet current liabilities and, accordingly, the Group has adequate financial resources to continue in operational existence for the foreseeable future.

## **Reporting**

The auditors, Grant Thornton, have reported to the Company that in their opinion the directors' comments on internal financial control and on going concern provide the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance) and are not inconsistent with the information of which they are aware from their audit work on the accounts, and the statements above appropriately reflect the Company's compliance with the other paragraphs of the Code specified by the London Stock Exchange for their review. The auditors were not required to carry out the additional work necessary to, and do not, express any opinion on the effectiveness of the Group's systems of internal financial control; of its corporate governance procedures; or the ability of the Group to continue in operational existence.

# Internal Financial Controls

The directors are responsible for the internal financial control systems of the group and for monitoring their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the group are safeguarded.

## **Internal controls as an investment trust**

Until 7 May 1998, the board had contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of assets) and the day to day accounting and company secretarial requirements. The internal financial controls operated by the board during this period included the authorisation of investment strategy and regular reviews of the financial results and investment performance.

The investment manager had established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls operated on behalf of its clients. During the relevant period, the effectiveness of internal financial controls was assessed by the investment manager's compliance and internal audit departments on an ongoing basis.

The Company's audit committee met with representatives of the investment manager and received reports on the effectiveness of the accounting records and management information on behalf of the Group. The audit committee reviewed (and will continue to do so) the half year and annual accounts and the nature and scope of the statutory audit and the findings thereon.

## **Internal controls as a leisure group**

With effect from 7 May 1998 the Company assumed responsibility for its internal financial controls. The financial operations of the Group have been established to provide effective and efficient operations, internal financial control and to enable compliance with local laws and regulations. The Group's financial control

systems provide ongoing identification and capture of relevant, reliable and up to date financial and other information from internal and external sources. Systems have been introduced to communicate timely information to the relevant people within the Group.

## **Head office control environment**

The control environment is fortified by the commitment of the directors, management and employees. The head office structure is designed to enable the execution, control and ongoing monitoring of the Group's objectives and is designed to enhance accountability, risk management and reliability of financial information. Meetings between group and local management are regularly scheduled to address issues, business development, business risks and strategic direction. The Group Board monitors and reviews management accounts, annual budgets and comparison of budgets to management accounts. The budgeting process clearly addresses future activities, and their anticipated financial impact on the business, resource allocation and the setting of clear goals, performance indicators and control objectives.

One of the primary functions of the head office is that of group treasury management and a group treasury policy has been approved by the board of ENIC plc to ensure centralised and co-ordinated control of the treasury function.

## **Subsidiary control environment**

The Group's subsidiary's day to day operations are controlled by their local management and finance departments which are overseen by the head office management team. Segregation of duty and established authorisation limits have been set at all levels. Clear lines of authority and reporting responsibility are also in place between divisions and head office.

These systems of internal financial control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. By the procedures set out above the directors have kept under review the effectiveness of the internal financial controls.

1998

## Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, 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 financial statements.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the Auditors to the Members of ENIC PLC

We have audited the financial statements on pages 11 to 36 which have been prepared under the accounting policies set out on pages 16 and 17.

### Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

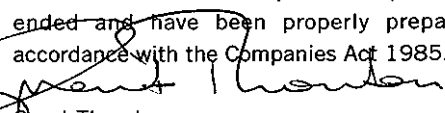
### Basis of opinion

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 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 Group and of the Company at 30 June 1998 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Grant Thornton  
Registered Auditors  
Chartered Accountants  
LONDON  
20 October 1998

# Consolidated Profit and Loss Account

for the 15 months ended 30 June 1998

| Notes | 15 months ended<br>30 June 1998                                 |                 | Year ended<br>31 March 1997 |       |
|-------|---|-----------------|-----------------------------|-------|
|       | £'000   | £'000           | £'000                       | £'000 |
| 1     | <b>Turnover</b>   |                 |                             |       |
|       | Continuing operations – acquisitions                            | 5,041           | –                           |       |
|       | Discontinued operations   | 6,221           | 1,601                       |       |
|       |   | <u>11,262</u>   |                             | 1,601 |
|       |   | (957)           |                             | –     |
| 2     | <b>Cost of sales</b>  |                 |                             |       |
|       |   | <u>10,305</u>   |                             | 1,601 |
|       | <b>Gross profit</b>   |                 |                             |       |
| 3     | Other operating expenses  | (8,378)         | (352)                       |       |
|       | Depreciation of tangible fixed assets                           | (1,328)         | –                           |       |
|       | Amortisation of intangible fixed assets                         | (1,283)         | –                           |       |
| 4     | Exceptional costs   | (4,196)         | –                           |       |
|       |   | <u>(15,185)</u> |                             | (352) |
|       | <b>Operating (loss)/profit</b>                                  |                 |                             |       |
|       | Continuing operations – acquisitions                            | (10,217)        | –                           |       |
|       | Discontinued operations   | 5,337           | 1,249                       |       |
|       |   | <u>(4,880)</u>  |                             | 1,249 |
|       |   | 348             |                             | 121   |
| 5     | <b>Net interest</b>   |                 |                             |       |
|       | <b>(Loss)/profit on ordinary activities<br/>before taxation</b> | <u>(4,532)</u>  |                             | 1,370 |
| 7     | Tax on (loss)/profit on ordinary activities                     | (87)            |                             | (90)  |
|       | <b>(Loss)/profit on ordinary activities<br/>after taxation</b>  | <u>(4,619)</u>  |                             | 1,280 |
|       | Minority interests – equity                                     | 726             |                             | –     |
|       | <b>(Loss)/profit for the financial period</b>                   | <u>(3,893)</u>  |                             | 1,280 |
| 9     | Dividend – equity   | –               |                             | (251) |
|       | <b>Retained (loss)/profit for the period</b>                    | <u>(3,893)</u>  |                             | 1,029 |
| 10    | <b>(Loss)/earnings per share</b>                                | <u>(5.73)p</u>  |                             | 3.08p |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Balance Sheet

at 30 June 1998

| Notes |  | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
|-------|--|--------------------------|---------------------------|
|       | <b>Fixed assets</b>  |                          |                           |
| 11    | Intangible assets  | 13,615                   | –                         |
| 12    | Tangible assets  | 3,898                    | –                         |
| 13    | Investments  | 25,409                   | 9,804                     |
|       |  | <b>42,922</b>            | <b>9,804</b>              |
|       | <b>Current assets</b>  |                          |                           |
| 14    | Stock  | 3,903                    | –                         |
| 15    | Debtors  | 10,580                   | 5,147                     |
| 16    | Investments  | 5,695                    | –                         |
|       | Cash at bank and in hand                                       | 44,555                   | 611                       |
|       |  | <b>64,733</b>            | <b>5,758</b>              |
| 17    | <b>Creditors: amounts falling due within one year</b>          | <b>(33,155)</b>          | <b>(332)</b>              |
|       | <b>Net current assets</b>                                      | <b>31,578</b>            | <b>5,426</b>              |
|       | <b>Total assets less current liabilities</b>                   | <b>74,500</b>            | <b>15,230</b>             |
| 18    | <b>Creditors: amounts falling due after more than one year</b> | <b>(16,852)</b>          | <b>–</b>                  |
| 19    | <b>Provisions for liabilities and charges</b>                  | <b>(6,153)</b>           | <b>–</b>                  |
|       |  | <b>51,495</b>            | <b>15,230</b>             |
|       | <b>Capital and reserves</b>                                    |                          |                           |
| 21    | Called-up share capital  | 2,428                    | 1,064                     |
| 22    | Share premium account  | 132,813                  | 394                       |
| 22    | Capital redemption reserve                                     | 1,313                    | 1,313                     |
| 22    | Other non-distributable reserves                               | –                        | 11,909                    |
| 22    | Profit and loss account  | (86,060)                 | 550                       |
| 28    | <b>Shareholders' funds (including non-equity interests)</b>    | <b>50,494</b>            | <b>15,230</b>             |
|       | Minority interests (equity)                                    | 1,001                    | –                         |
|       |  | <b>51,495</b>            | <b>15,230</b>             |

The financial statements were approved by the Board of Directors on 20 October 1998

H T Stanton  
G McSloy

Chairman  
Finance Director

*H. T. Stanton*  
*Gerard McSloy*

The accompanying accounting policies and notes form an integral part of these financial statements.

# Company Balance Sheet

at 30 June 1998

| Notes |  | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
|-------|--|--------------------------|---------------------------|
|       | <b>Fixed assets</b>  |                          |                           |
| 12    | Tangible assets  | 20                       | -                         |
| 13    | Investments  | 69,708                   | 10,114                    |
|       |  | <u>69,728</u>            | <u>10,114</u>             |
|       | <b>Current assets</b>  |                          |                           |
| 15    | Debtors  | 12,011                   | 5,147                     |
| 16    | Investments  | 5,695                    | -                         |
|       | Cash at bank and short term deposits                           | 33,139                   | 611                       |
|       |  | <u>50,845</u>            | <u>5,758</u>              |
| 17    | <b>Creditors: amounts falling due within one year</b>          | <u>(13,498)</u>          | <u>(642)</u>              |
|       | <b>Net current assets</b>                                      | <u>37,347</u>            | <u>5,116</u>              |
|       | <b>Total assets less current liabilities</b>                   | <u>107,075</u>           | <u>15,230</u>             |
| 18    | <b>Creditors: amounts falling due after more than one year</b> | <u>(13,767)</u>          | <u>-</u>                  |
|       |  | <u>93,308</u>            | <u>15,230</u>             |
|       | <b>Capital and reserves</b>                                    |                          |                           |
| 21    | Called-up share capital  | 2,428                    | 1,064                     |
| 22    | Share premium account  | 132,813                  | 394                       |
| 22    | Capital redemption reserve                                     | 1,313                    | 1,313                     |
| 22    | Other non-distributable reserves                               | -                        | 11,917                    |
| 22    | Profit and loss account  | (43,246)                 | 542                       |
|       | <b>Shareholders' funds (including non-equity interests)</b>    | <u>93,308</u>            | <u>15,230</u>             |

The financial statements were approved by the Board of Directors on 20 October 1998

H T Stanton  
G McSloy

Chairman  
Finance Director

*H. T. Stanton*  
*Gerard McSloy*

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Cash Flow Statement

for the 15 months ended 30 June 1998

| Notes |  | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|-------|--|--|---|
|       |  |  |   |
| 24    | <b>Net cash inflow from operating activities</b>                           | <b>2,765</b>                                   | <b>359</b>                              |
|       | <b>Return on investments and servicing of finance</b>                      |  |   |
|       | Interest received  | 1,217  | —                                       |
|       | Interest paid  | (352)  | —                                       |
|       | <b>Net cash inflow from return on investments and servicing of finance</b> | <b>865</b>                                     | <b>—</b>                                |
|       | <b>Taxation</b>  |  |   |
|       | Corporation tax paid (including ACT)                                       | —  | (1)                                     |
|       | <b>Capital expenditure and financial investments</b>                       |  |   |
|       | Disposal of tangible fixed assets  | 53   | —                                       |
|       | Purchase of tangible fixed assets  | (126)  | —                                       |
|       | Disposal of investments  | 194,620  | 8,813                                   |
|       | Purchase of investments  | (199,365)                                      | (10,031)                                |
|       | <b>Net cash outflow from capital expenditure and financial investments</b> | <b>(4,818)</b>                                 | <b>(1,218)</b>                          |
| 23    | <b>Acquisitions and disposals</b>  |  |   |
|       | Purchase of subsidiary undertaking – WBSS                                  | (17,860)                                       | —                                       |
|       | Purchase of subsidiary undertaking – Vicenza                               | (6,326)  | —                                       |
|       | Purchase of subsidiary undertaking – AEK Athens                            | (6,134)  | —                                       |
|       | Purchase of subsidiary undertaking – Slavia Prague                         | (2,210)  | —                                       |
|       | Net cash acquired with subsidiaries  | 5,491  | —                                       |
|       | Preacquisition financing of AEK Athens                                     | (5,500)  | —                                       |
|       |  | <b>(32,539)</b>                                | <b>—</b>                                |
|       | <b>Equity dividends paid</b>   | <b>(251)</b>                                   | <b>(158)</b>                            |
|       | <b>Financing</b>   |  |   |
|       | Issue of shares  | 72,980   | —                                       |
|       | Share issue costs  | (621)  | —                                       |
|       |  | <b>72,359</b>                                  | <b>—</b>                                |
| 25/26 | <b>Increase/(decrease) in cash</b>   | <b>38,381</b>                                  | <b>(1,018)</b>                          |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Statement of Total Recognised Gains and Losses

for the 15 months ended 30 June 1998

|  | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|--|--|---|
| (Loss)/profit for the financial period         | (3,893)  | 1,280                                   |
| Unrealised profit/(loss) on trade investments  | 509  | (374)                                   |
| Loss on foreign exchange                       | (50)   | —                                       |
| Total recognised (losses)/gains for the period | <u>(3,434)</u>                                 | <u>906</u>                              |

# Consolidated Historical Cost Profits and Losses

for the 15 months ended 30 June 1998

|  | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|--|--|---|
| (Loss)/profit on ordinary activities before taxation                 | (4,532)  | 1,370                                   |
| Realisation of revaluation profits of previous years                 | 321  | 403                                     |
| Historical cost (loss)/profit on ordinary activities before taxation | <u>(4,211)</u>                                 | <u>1,773</u>                            |
| Historical cost (loss)/profit retained                               | <u>(3,572)</u>                                 | <u>1,683</u>                            |

The accompanying accounting policies and notes form an integral part of these financial statements.



# Principal Accounting Policies

## **BASIS OF ACCOUNTING**

The financial statements have been prepared on the historical cost basis of accounting, modified to include the revaluation of investments, and have been prepared in accordance with applicable accounting standards. The accounting policies remain unchanged from the previous year.

## **CHANGE OF STATUS OF COMPANY**

Following the change of status of the Company from an investment trust, non-distributable reserves arising on realisation of investments have been redefined as distributable. The balance sheet at 31 March 1997 has not been restated to this effect.

## **BASIS OF CONSOLIDATION**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The results of subsidiary undertakings acquired during the year are included from the date of acquisition. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

The company has taken advantage of the exemption permitted by Section 230 of the Companies Act 1985 and has not published its own profit and loss account in these financial statements.

## **GOODWILL**

Goodwill arising on consolidation is written off to reserves immediately on acquisition. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

## **VALUATION OF FIXED ASSET AND CURRENT INVESTMENTS**

Listed investments in the United Kingdom held for the long term are valued at their mid market prices at the period end.

Unlisted investments (including options on unlisted securities) are included at cost, unless other information available indicates that a different valuation at the directors' discretion is appropriate.

Current asset investments are carried at the lower of cost and net realisable value.

## **ASSOCIATED UNDERTAKINGS**

Undertakings other than subsidiary undertakings, in which the group has a long term investment of at least 20% of the shares and over which it exerts significant influence, are treated as associated undertakings.

The group's share of the profits and losses and other recognised gains and losses of associates is included in the group profit and loss account and statement of total recognised gains and losses respectively. Where the accounting periods covered by audited financial statements are not coterminous with that of the group the share of profit and losses of the associates has been arrived at from the last audited accounts together with unaudited management accounts to the group's balance sheet date.

The group balance sheet includes the investment in associated undertakings as the group's share of net assets adjusted for goodwill arising on the acquisition.

The company balance sheet shows the investment in associates at cost less amounts written off.

## **TURNOVER**

Turnover represents revenue generated through entertainment brands and related services, and income from investment trust activities.

# Principal Accounting Policies

continued

## DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are:

|                                  |                   |
|----------------------------------|-------------------|
| Leasehold improvements           | term of the lease |
| Land and buildings               | 15 years          |
| Motor vehicles                   | 5 years           |
| Fixtures, fittings and equipment | 5 – 10 years      |

## INTANGIBLE FIXED ASSETS

Player registrations are capitalised and amortised over the period of the players' contracts.  
Patents and trademarks are capitalised and amortised over their expected useful lives.

## TRANSFER FEES

The costs associated with the acquisition of players, including signing on fees (collectively players' registration fees), are capitalised and treated as intangible assets. These amounts are amortised evenly over the period of the respective players' contracts on the basis of nil residual values. Fees receivable are netted off against the players net book value and the difference is treated as a gain or a loss on disposal.

## FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the closing rate for the balance sheet date and the average exchange rate for the profit and loss account. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

## CASH AND LIQUID RESOURCES

Cash, for the purpose of the cashflow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

## STOCKS

Stocks are valued at the lower of cost and net realisable value.

## LEASED ASSETS

All leases are operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

## DEFERRED TAXATION

Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts, to the extent that it is probable that a liability or asset will crystallise in the future.

## CONTRIBUTIONS TO PENSION FUNDS

### Defined Benefit Scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

# Notes to the Financial Statements

for the 15 months ended 30 June 1998

## 1 Segmental Information and Geographical Analysis

### (a) Segmental Information

|   | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|---|--|---|
| <b>Turnover</b>   |  |   |
| ENIC Sports   | 2,511  | —                                       |
| ENIC Entertainment  | 2,530  | —                                       |
| Investment activities and group management                  | 6,221  | 1,601                                   |
|   | <u>11,262</u>                                  | <u>1,601</u>                            |
| <b>(Loss)/profit on ordinary activities before taxation</b> |  |   |
| ENIC Sports   | (3,072)  | —                                       |
| ENIC Entertainment  | (1,338)  | —                                       |
| Investment activities and group management                  | (122)  | 1,370                                   |
|   | <u>(4,532)</u>                                 | <u>1,370</u>                            |
| <b>Net assets</b>   |  |   |
| ENIC Sports   | 24,621   | —                                       |
| ENIC Entertainment  | 5,976  | —                                       |
| Investment activities and group management                  | 20,898   | 15,230                                  |
|   | <u>51,495</u>                                  | <u>15,230</u>                           |

### (b) Geographical Analysis

|  | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|--|--|---|
| <b>Turnover</b>  |  |   |
| UK   | 8,751  | 1,601                                   |
| Europe   | 2,511  | —                                       |
|  | <u>11,262</u>                                  | <u>1,601</u>                            |
| <b>(Loss)/profit on ordinary activities before tax</b> |  |   |
| UK   | (1,460)  | 1,370                                   |
| Europe   | (3,072)  | —                                       |
|  | <u>(4,532)</u>                                 | <u>1,370</u>                            |
| <b>Net assets</b>                                      |  |   |
| UK   | 45,820   | 15,230                                  |
| Europe   | 5,675  | —                                       |
|  | <u>51,495</u>                                  | <u>15,230</u>                           |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 2 Cost of Sales and Other Operating Income and Charges

|   | 15 months ended 30 June 1998          |                       |                | Year ended 31 March 1997              |                       |                |
|---|---------------------------------------|-----------------------|----------------|---------------------------------------|-----------------------|----------------|
|   | Continuing –<br>acquisitions<br>£'000 | Discontinued<br>£'000 | Total<br>£'000 | Continuing –<br>acquisitions<br>£'000 | Discontinued<br>£'000 | Total<br>£'000 |
| Cost of sales                             | 957                                   | –                     | 957            | –                                     | –                     | –              |
| Operating expenses<br>income and charges: |                                       |                       |                |                                       |                       |                |
| Distribution costs                        | 183                                   | –                     | 183            | –                                     | –                     | –              |
| Administrative<br>expenses                | 14,118                                | 884                   | 15,002         | –                                     | 352                   | 352            |
|   | 14,301                                | 884                   | 15,185         | –                                     | 352                   | 352            |

## 3 Operating (loss)/profit

The (loss)/profit on ordinary activities is stated after charging:

|                               | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|-------------------------------|--|---|
| Auditors' remuneration        |  |   |
| Group auditors                | 29   | 7                                       |
| Non-audit services            | 26   | 7                                       |
| Movement in provisions        | 2,082  | –                                       |
| Depreciation and amortisation |  |   |
| Intangible fixed assets       | 1,283  | –                                       |
| Tangible fixed assets         | 1,328  | –                                       |
| Operating lease rentals       | 23   | –                                       |

## 4 Exceptional costs

The exceptional costs relate to expenses incurred in connection with the investigation of potential and actual acquisitions by the Company and UEFA litigation costs (see note 32).

## 5 Net Interest receivable

|                              | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|------------------------------|--|---|
| On bank loans and overdrafts | (352)  | –                                       |
| Interest on other loans      | (517)  | –                                       |
|                              | (869)  | –                                       |
| Interest receivable          | 1,217  | 121                                     |
|                              | 348  | 121                                     |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 6 Directors and Employees

Total emoluments of directors paid by the Group during the period were as follows:

|                            | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|----------------------------|--|---|
| Fees/salaries              | 271  | 14                                      |
| Pension contributions      | 12   | –                                       |
| Fees paid to third parties | 197  | 14                                      |
| Relocation expenses        | 67   | –                                       |
|                            | <u>547</u>                                     | <u>28</u>                               |

See the Report of the Remuneration Committee on page 7 for details of individual director's remuneration and share options and also note 34 on pages 34-36. Mr Hersov waived fees totalling £3,000 (1997: nil).

Total staff costs during the period were as follows:

|                       | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|-----------------------|--|---|
| Wages and salaries    | 2,497  | 29                                      |
| Social Security costs | 144  | –                                       |
| Other pension costs   | 34   | –                                       |
|                       | <u>2,675</u>                                   | <u>29</u>                               |

### Average number of employees

The average number of employees during the period under review, as shown below, was 80, since all employees (except 7 directors and 3 employees at head office) joined the group on the acquisition of its various subsidiary undertakings on 7 May 1998:

|                    | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|--------------------|--|---|
| ENIC Sports        | 26   | –                                       |
| ENIC Entertainment | 47   | –                                       |
| Head Office        | 7  | 5                                       |
|                    | <u>80</u>                                      | <u>5</u>                                |

The number of employees at the period end was 562.

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 -- continued

## 7 Tax on (Loss)/Profit on Ordinary Activities

|   | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|---|--|---|
| Tax attributable to franked investment income | 103  | 87                                      |
| Adjustments in respect of prior periods       | (16)   | (1)                                     |
| Deferred tax                                  | -  | (1)                                     |
| UK Corporation tax at 31% (1997: 33%/24%)     | -  | 5                                       |
|   | <u>87</u>                                      | <u>90</u>                               |

Tax losses of overseas subsidiaries are estimated at approximately £3m which remain potentially available to offset against the respective entities future taxable profits (1997: £nil).

## 8 Loss for the financial period

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Group loss for the year includes a loss of £56,214,000 which is dealt with in the financial statements of the company.

## 9 Dividends

|   | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|---|--|---|
| Equity dividends  |  |   |
| Ordinary shares - nil (1997 - final dividend of 0.475p per share) | -  | 251                                     |

## 10 (Loss)/earnings per Ordinary Share

The calculation of the (loss)/earnings per share is based on the loss after taxation and minority interests of £3,893,000 (year ended 31 March 1997: profit on ordinary activities after taxation of £1,280,000) and the weighted average of 67,934,540 ordinary shares (1997: 41,591,118 ordinary shares).

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 11 Intangible Fixed Assets

### The Group

|   | Patents and<br>trademarks<br>£'000 | Player<br>registrations<br>£'000 | Total<br>£'000 |
|---|------------------------------------|----------------------------------|----------------|
| Cost at 1 April 1997                    | –                                  | –                                | –              |
| Acquisitions of subsidiary undertakings | 48                                 | 14,850                           | 14,898         |
| At 30 June 1998                         | 48                                 | 14,850                           | 14,898         |
| Amortisation at 1 April 1997            | –                                  | –                                | –              |
| Provided in the period                  | 15                                 | 1,268                            | 1,283          |
| At 30 June 1998                         | 15                                 | 1,268                            | 1,283          |
| Net book value at 30 June 1998          | 33                                 | 13,582                           | 13,615         |

There are no intangible fixed assets included above which are attributable to the Company.

## 12 Tangible Fixed Assets

### The Group

|   | Short<br>leasehold<br>improvements<br>£'000 | Land and<br>buildings<br>£'000 | Motor<br>vehicles<br>£'000 | Fixtures<br>fittings and<br>equipment<br>£'000 | Total<br>£'000 |
|---|---|--------------------------------|----------------------------|--|----------------|
| Cost at 1 April 1997                    | –   | –                              | –                          | –  | –              |
| Additions                               | 10  | 27                             | 18                         | 71   | 126            |
| Acquisitions of subsidiary undertakings | 11,001                                      | 837                            | 501                        | 10,984   | 23,323         |
| Disposals                               | (10)  | –                              | (34)                       | (32)   | (76)           |
| At 30 June 1998                         | 11,001                                      | 864                            | 485                        | 11,023   | 23,373         |
| Depreciation at 1 April 1997            | –   | –                              | –                          | –  | –              |
| Provided in period                      | 831   | 9                              | 17                         | 471  | 1,328          |
| Acquisitions of subsidiary undertakings | 9,007                                       | 251                            | 253                        | 8,659  | 18,170         |
| Eliminated on disposal                  | –   | –                              | (20)                       | (3)  | (23)           |
|   | 9,838                                       | 260                            | 250                        | 9,127  | 19,475         |
| Net book value at 30 June 1998          | 1,163                                       | 604                            | 235                        | 1,896  | 3,898          |

Included in fixtures, fittings and equipment are assets with a net book value of £20,000 attributable to the Company.

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 13 Fixed asset investments

### The Group

|                            | Associated<br>undertaking<br>£'000 | Other listed<br>investments<br>£'000 | Unlisted<br>investments<br>£'000 | Total<br>£'000 |
|----------------------------|------------------------------------|--------------------------------------|----------------------------------|----------------|
| Cost/valuation             |                                    |                                      |                                  |                |
| At 1 April 1997            | –                                  | 9,087                                | 717                              | 9,804          |
| Reclassification           | 466                                | –                                    | (466)                            | –              |
| Additions                  | 74,978                             | 193,670                              | –                                | 268,648        |
| Disposals                  | –                                  | (190,850)                            | –                                | (190,850)      |
| Goodwill written off       | (56,498)                           | –                                    | –                                | (56,498)       |
| Transfer to current assets | –                                  | (5,695)                              | –                                | (5,695)        |
| At 30 June 1998            | 18,946                             | 6,212                                | 251                              | 25,409         |

The historic cost of listed investments is £6,200,000.

The group's share of the retained profit of the associate since acquisition is not significant. The group's share of the assets and liabilities is as follows:

|                       | £'000   |
|-----------------------|---------|
| Fixed assets          | 28,571  |
| Current assets        | 4,073   |
| Current liabilities   | (5,836) |
| Long term liabilities | (7,862) |
|                       | 18,946  |

### The Company

|                             | Subsidiary<br>undertakings<br>£'000 | Associated<br>undertaking<br>£'000 | Other listed<br>investments<br>£'000 | Unlisted<br>investments<br>£'000 | Total<br>£'000 |
|-----------------------------|-------------------------------------|------------------------------------|--------------------------------------|----------------------------------|----------------|
| Cost/valuation              |                                     |                                    |                                      |                                  |                |
| At 1 April 1997             | 310                                 | –                                  | 9,087                                | 717                              | 10,114         |
| Reclassification            | –                                   | 466                                | –                                    | (466)                            | –              |
| Additions                   | 44,001                              | 74,978                             | 193,658                              | –                                | 312,637        |
| Disposals                   | –                                   | –                                  | (190,850)                            | –                                | (190,850)      |
| Transfer to current assets  | –                                   | –                                  | (5,695)                              | –                                | (5,695)        |
| At 30 June 1998             | 44,311                              | 75,444                             | 6,200                                | 251                              | 126,206        |
| Provision during the period | –                                   | 56,498                             | –                                    | –                                | 56,498         |
| Carrying value              |                                     |                                    |                                      |                                  |                |
| At 30 June 1998             | 44,311                              | 18,946                             | 6,200                                | 251                              | 69,708         |

The Group's listed associated investment comprised its 25.1% interest in The Rangers Football Club plc ("Rangers"). Rangers is quoted on OFEX and as at 19 October 1998 the market value of this investment was £45.75m (395p per share).

The Group's listed investments included its 20.1% interest in Autonomy Corporation plc, ("Autonomy"). Autonomy is quoted on EASDAQ and as at 19 October 1998, the market value of this investment was US\$9.5m (US\$2.625 per share). See note 33 on page 34 for details of the partial disposal of the interest in Autonomy after the period end.



# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 13 Fixed asset investments – continued

### Subsidiary undertakings

Interests in subsidiary undertakings are as follows:

| Undertaking                                 | Country of registration | Nature of business   | Effective Holding |
|---|-------------------------|--|-------------------|
| <b>ENIC</b>                                 |                         |  |                   |
| Lindow Investments Limited                  | England                 | Property investment company                                    | 100%              |
| Pownall Investments Limited                 | England                 | Share dealing company  | 100%              |
| English National Investment Company Limited | England                 | Holding company  | 100%              |
| ENIC Services Limited                       | England                 | Service company  | 100%              |
| <b>ENIC Entertainment</b>                   |                         |  |                   |
| ENIC Entertainment Limited                  | England                 | Holding company  | 100%              |
| Warner Bros. Studio Stores Limited          | England                 | Retail company   | 80%               |
| ENIC Entertainment (Restaurants) Limited    | England                 | Holding company  | 100%              |
| WB/ENIC Soundstage Restaurants L.P.         | USA                     | Joint venture for the development of entertainment restaurants | 80%               |
| <b>ENIC Sports</b>                          |                         |  |                   |
| ENIC Sports Sarl                            | Luxembourg              | Holding company  | 100%              |
| Otto S.r.l                                  | Italy                   | Holding company  | 75.1%             |
| Vicenza Calcio S.p.A                        | Italy                   | Football club  | 75.1%             |
| ENIC Hellas S.A.                            | Greece                  | Holding company  | 100%              |
| AEK PAE                                     | Greece                  | Football club  | 78.4%             |
| Basic Hellas S.A.                           | Greece                  | Retail outlet  | 100%              |
| ENIC Football Management Sarl               | Luxembourg              | Holding company  | 100%              |
| SK Slavia Praha-Fotbal a.s.                 | Czech Republic          | Football club  | 53.7%             |
| Albany Inc.                                 | Bahamas                 | Holding company  | 100%              |
| <b>ENIC Media</b>                           |                         |  |                   |
| ENIC Media Limited                          | England                 | Holding company  | 100%              |
| Siapita Inc.                                | Bahamas                 | Holding company  | 100%              |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 14 Stock

|                  | Group                    |                           | Company                  |                           |
|------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                  | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
| Goods for resale | <u>3,903</u>             | <u>–</u>                  | <u>–</u>                 | <u>–</u>                  |

## 15 Debtors

|                                    | Group                    |                           | Company                  |                           |
|------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                    | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
| Trade debtors                      | 2,589                    | –                         | –                        | –                         |
| Amounts owed by Group undertakings | –                        | –                         | 11,415                   | –                         |
| Other debtors                      | 6,000                    | 5,006                     | 596                      | 5,006                     |
| Prepayments and accrued income     | 1,991                    | 141                       | –                        | 141                       |
|                                    | <u>10,580</u>            | <u>5,147</u>              | <u>12,011</u>            | <u>5,147</u>              |

Included within amounts owed by Group undertakings to the Company is £7,000,000 which is due after more than one year. The loan bears interest at 8%.

## 16 Current asset investments

|                                    | Group                    |                           | Company                  |                           |
|------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                    | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
| Listed investments at market value | <u>5,695</u>             | <u>–</u>                  | <u>5,695</u>             | <u>–</u>                  |

## 17 Creditors: Amounts falling due within one year

|                                    | Group                    |                           | Company                  |                           |
|------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                    | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
| Overdrafts                         | 72                       | –                         | –                        | –                         |
| Other loans                        | 11,750                   | –                         | 11,750                   | –                         |
| Trade creditors                    | 7,249                    | –                         | –                        | –                         |
| Amounts owed to group undertakings | –                        | –                         | 311                      | 310                       |
| Social security and other taxes    | 3,347                    | –                         | –                        | –                         |
| Proposed dividends                 | –                        | 251                       | –                        | 251                       |
| Other creditors                    | 6,438                    | –                         | –                        | –                         |
| Accruals                           | 4,299                    | 81                        | 1,437                    | 81                        |
|                                    | <u>33,155</u>            | <u>332</u>                | <u>13,498</u>            | <u>642</u>                |

Other loans relate to deep discount bonds which are repayable on 31 March 1999. The discount of £1m is provided for through the profit and loss account over the life of the bond and is payable on redemption.

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 18 Creditors: Amounts falling due after more than one year

|                                 | Group                    |                           | Company                  |                           |
|---------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
| Other loans                     | 13,767                   | –                         | 13,767                   | –                         |
| Trade creditors                 | 1,625                    | –                         | –                        | –                         |
| Social security and other taxes | 421                      | –                         | –                        | –                         |
| Other creditors                 | 1,039                    | –                         | –                        | –                         |
|                                 | <u>16,852</u>            | <u>–</u>                  | <u>13,767</u>            | <u>–</u>                  |

Other loans relate to deep discount bonds which are repayable on 30 June 2000. The discount of £2.4m is provided for through the profit and loss account over the life of the bond and is payable on redemption.

Trade creditors relate to amounts payable by instalments on player registrations.

## 19 Provision for liabilities and charges

|                                 | Group                    |                           | Company                  |                           |
|---------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 | 30 June<br>1998<br>£'000 | 31 March<br>1997<br>£'000 |
| Deferred tax                    | 3,043                    | –                         | –                        | –                         |
| Other taxes and social security | 2,280                    | –                         | –                        | –                         |
| Other provisions                | 830                      | –                         | –                        | –                         |
|                                 | <u>6,153</u>             | <u>–</u>                  | <u>–</u>                 | <u>–</u>                  |

The movement in provisions from the date of acquisitions of subsidiaries to the balance sheet date was £2,082,000 (see note 3).

## 20 Deferred taxation

The deferred tax liability, arising on the acquisition of subsidiaries, represents possible tax liabilities that may arise on disposal of intangible fixed assets and was £3,043,000 at 30 June 1998 (31 March 1997 – nil).

## 21 Share capital

|   | Authorised         |              | Allotted, called up and fully paid |              |
|---|--------------------|--------------|------------------------------------|--------------|
|   | Number             | £'000        | Number                             | £'000        |
| <b>Ordinary shares of 2.5p</b>                                      |                    |              |                                    |              |
| At 1 April 1997   | 89,500,000         | 2,237        | 41,783,625                         | 1,045        |
| Issue of shares during the period/<br>increase in authorised shares | 90,500,000         | 2,263        | 54,582,146                         | 1,364        |
| At 30 June 1998   | <u>180,000,000</u> | <u>4,500</u> | <u>96,365,771</u>                  | <u>2,409</u> |
| <b>Deferred redeemable convertible<br/>shares of 0.25p</b>          |                    |              |                                    |              |
| At 30 June 1998 and 31 March 1997                                   | 7,500,000          | 19           | 7,500,000                          | 19           |
| At 30 June 1998   |                    | <u>4,519</u> |                                    | <u>2,428</u> |
| At 31 March 1997  |                    | <u>2,256</u> |                                    | <u>1,064</u> |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 21 Share capital – continued

### Non-Equity Interests

- The non-equity interests relate to the deferred convertible redeemable shares of 0.25p each ("convertible shares"), the rights attached to which are shown below:

#### (i) Conversion and redemption

The convertible shares can be converted into the Company's ordinary shares of 2.5p each on a one for one basis at the price of 32.95p per share at the option of the holders upon the holders paying in cash to the Company 32.70p per share, being the difference between the conversion price of 32.95p and the subscription price of 0.25p. All of the convertible shares are held by Walburg Holdings Limited. The conversion criteria were satisfied during the period under review. If these shares have not been converted on or before 31 December 2000, they will be redeemed on 1 January 2001 by the Company at the subscription price of 0.25p.

#### (ii) Rights to dividends

A non-cumulative dividend at a fixed rate of 0.1% of the nominal amount is payable on 30 November in each year to convertible shareholders on the register of members on that date. There is no right to receive any other dividend or other distribution.

#### (iii) Priority and amounts receivable on winding-up

On a return of capital in a liquidation, but not otherwise, the convertible shareholders are entitled to receive the amount paid up on each share, but only after the amount paid on ordinary shares of 2.5p, together with a payment of £100,000 per share of 2.5p, has been repaid to the holders thereof. Convertible shareholders are not entitled to any further participation in the assets or profits of the Company.

#### (iv) Voting rights at general meetings

Holders of the convertible shares have the right to receive notices of and to attend general meetings of the Company, but have no right to vote.

### Options

In addition to the options granted under the ENIC 1998 Share Option Scheme (as disclosed in the Report of the Directors on page 5) and to Farewell International Limited (as disclosed in note 34(iv) on page 35) the following options were in existence throughout the period under review:

- (a) the first option for Murray International Holdings to subscribe for 5,000,000 ordinary shares at £1 per share;
- (b) the second option for Murray International Holdings to subscribe for 2,000,000 ordinary shares at £1.25 per share;  
Both options may be exercised at any time up to 21 February 1999.
- (c) the second option for Pailex International Inc. to subscribe for 1,000,000 ordinary shares at £1.25 per share at any time between 21 February 1999 and 20 February 2000.

### Changes in the share capital during the period ended 30 June 1998

**18 April 1997:** institutional investors subscribed for a total of 11,000,000 ordinary shares (with a nominal value of £275,000) at a subscription price of 182.7p per share. The subscription raised £19,817,000 (net of expenses) for the Company. The market price of the ordinary shares at the close of business on 17 April 1997 was 203p.

**27 June 1997:** the Company allotted a further 497,000 shares (with a nominal value of £12,425) to certain of its co-investors in Vicenza at a subscription price of 233.0p per share. The market price of the ordinary shares at the close of business on 23 June 1997 was 233.5p.

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# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 21 Share capital – continued

**22 September 1997:** institutional investors subscribed for a total of 20,570,000 shares (with a nominal value of £514,250) at a subscription price of 250.0p per share. The subscription raised £50,838,000 (net of expenses) for the Company. The shares were issued by the Company on 22 September 1997, thereby increasing its issued share capital to 73,850,625 ordinary shares (with a nominal value of £1,846,266). The market price of the ordinary shares at the close of business on 18 September 1997 was 266p.

**8 May 1998:** the company issued 4,142,857 ordinary shares as part of the consideration to acquire 80% of Warner Bros. Studio Stores Limited. The price at which they are deemed to have been issued is 276.5p per share, being the closing price of the ordinary shares on the suspension of listing on 7 April 1998.

The Company also issued 18,072,289 ordinary shares as part of the consideration to acquire 100% of Albany Inc, the holder of 25.1% of The Rangers Football Club plc. The price at which they are deemed to have been issued is 276.5p per share, being the closing price of the ordinary shares on the suspension of listing on 7 April 1998. The Company also issued 300,000 ordinary shares to Pailex Inc. following the exercise of its first option at £1 per ordinary share.

### Warrants

On 7 May 1998, the Company issued Time Warner Entertainment LP with 'A' and 'B' warrants to subscribe in each case for 3,052,067 new ordinary shares at a price of 375p and 425p respectively. The warrants can be exercised during the 30 day period following the announcement of the Company's preliminary financial statement and the interim report in respect of the year ending 30 June 2001 in relation to the 'A' warrants and the year ending 30 June 2002 in relation to the 'B' warrants.

## 22 Share premium account and reserves

### The Group and the Company

|  | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 |
|--|--------------------------------------|---|
| At 1 April 1997                              | 394                                  | 1,313                                     |
| Premium on allotment of shares during period | 132,419                              | –   |
| At 30 June 1998                              | <u>132,813</u>                       | <u>1,313</u>                              |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 22 Share premium account and reserves – continued

### Other non distributable reserves

#### The Group

|   | Realised<br>reserves<br>£'000 | Unrealised<br>reserves<br>£'000 | Total<br>£'000 |
|---|-------------------------------|---------------------------------|----------------|
| At 1 April 1997   | 12,230                        | (321)                           | 11,909         |
| Gains/(losses) on listed investments                    | 4,040                         | (210)                           | 3,830          |
| Transfer on disposal of listed investments              | (300)                         | 300                             | –              |
| Transfer to profit and loss account on change of status | (15,970)                      | –                               | (15,970)       |
| Realised  | –                             | 231                             | 231            |
| At 30 June 1998   | –                             | –                               | –              |

#### The Company

|   |          |       |          |
|---|----------|-------|----------|
| At 1 April 1997   | 12,195   | (278) | 11,917   |
| Gains/(losses) on listed investments                    | 4,040    | (210) | 3,830    |
| Interest in subsidiary undertakings                     | –        | (522) | (522)    |
| Transfer on disposal of listed investments              | (300)    | 300   | –        |
| Transfer to profit and loss account on change of status | (15,935) | –     | (15,935) |
| Realised on disposal of listed investments              | –        | 710   | 710      |
| At 30 June 1998   | –        | –     | –        |

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### Profit and loss account

|  | Group<br>£'000 | Company<br>£'000 |
|--|----------------|------------------|
| At 1 April 1997  | 550            | 542              |
| Transfer from undistributable reserves on change in status | 15,970         | 15,935           |
| Realised on disposal of investments                        | (4,061)        | (4,018)          |
| Retained loss for period                                   | (3,893)        | (56,214)         |
| Goodwill written off                                       | (95,085)       | –                |
| Movement in unrealised losses and foreign exchange         | 459            | 509              |
| At 30 June 1998  | (86,060)       | (43,246)         |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 23 Acquisitions

### ENIC Entertainment

On 8 May 1998 the Company acquired 80% of the nominal share capital of Warner Bros. Studio Stores Limited for a consideration consisting of a cash payment of £17.9 million and the issue of 4,142,857 new ordinary shares of 2.5p each with a deemed issue price of 276.5p each.

The loss after taxation and minority interests of Warner Bros. Studio Stores Limited for the period from 23 November 1997, the beginning of the subsidiary's financial year end, to the date of acquisition was £4,572,000. The loss after taxation and minority interests for the year ended 22 November 1997 was £1,833,000.

### ENIC Sports

On 8 May 1998 the Company exercised its option over 70.1% of ENIC Hellas S.A., the holding company for AEK PAE for a consideration of £3.7 million, taking ENIC's ownership of AEK PAE up to 78.4 per cent.

The proforma unaudited loss after taxation and minority interests of AEK PAE for the period from 1 July 1997, the beginning of the subsidiary's financial year end to the date of acquisition was £4,316,000. The loss after taxation and minority interests for the year ended 30 June 1997 was £3,163,000.

Also, on 8 May 1998 the Company exercised its option over 70.1 per cent of ENIC Football Management, the holding company of Slavia Praha-fotbal a.s. (Slavia Prague), for a consideration of approximately £1.6 million, taking ENIC's ownership of Slavia Prague up to 53.7 per cent.

The proforma unaudited loss after taxation and minority interests of Slavia Prague for the period from 1 January 1998, the beginning of the subsidiary's financial year end to the date of acquisition was £490,000. The loss after taxation and minority interests for the year ended 31 December 1997 was £1,452,000.

On 8 May 1998 the Company exercised its options over 45.2 per cent of Otto S.r.l., the holding company of Vicenza Calcio S.p.A. (Vicenza), for a consideration of £3.9 million, taking ENIC's ownership of Vicenza up to 75.1 per cent.

The proforma unaudited profit after taxation and minority interests of Vicenza for the period from 1 July 1997, the beginning of the subsidiary's financial year end to the date of acquisition was £2,584,000. The profit after taxation and minority interests for the year ended 30 June 1997 was £1,744,000.

Also on 8 May 1998 the Company acquired 25.1 per cent of The Rangers Football Club plc for a consideration comprising zero coupon bonds with a subscription value of £25 million (redemption value £28.4m) and 18,072,289 new Ordinary shares with a deemed issue price of 276.5p per share. The investment is accounted for as an associate undertaking.

### ENIC Media

On 8 May 1998 the Company exercised its options to acquire 20.1 per cent of Autonomy Corporation plc for a cash consideration of £6.2 million.

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 23 Acquisitions – continued

The net assets and liabilities of the subsidiaries acquired during the period were as follows:

|  | Warner Bros<br>Studio<br>Stores<br>Limited<br>£'000 | Otto S.r.l.<br>£'000 | ENIC<br>Hellas S.A.<br>£'000 | ENIC<br>Football<br>Management<br>S.a.r.l.<br>£'000 | Total<br>£'000  |
|--|---|----------------------|------------------------------|---|-----------------|
| Fixed assets                           | 4,045   | 8,916                | 5,183                        | 1,907   | 20,051          |
| Stocks                                 | 3,940   | –                    | 276                          | 14  | 4,230           |
| Debtors                                | 1,503   | 8,724                | 1,176                        | 1,290   | 12,693          |
| Cash                                   | 4,566   | 951                  | (37)                         | 11  | 5,491           |
| <b>Total assets</b>                    | <b>14,054</b>                                       | <b>18,591</b>        | <b>6,598</b>                 | <b>3,222</b>  | <b>42,465</b>   |
| Creditors                              | 6,740   | 8,455                | 15,190                       | 822   | 31,207          |
| Deferred income                        | –   | –                    | –                            | 798   | 798             |
| Deferred tax                           | –   | 2,602                | –                            | –   | 2,602           |
| Provisions for liabilities and charges | –   | 174                  | –                            | 527   | 701             |
| <b>Total liabilities</b>               | <b>(6,740)</b>                                      | <b>(11,231)</b>      | <b>(15,190)</b>              | <b>(2,147)</b>                                      | <b>(35,308)</b> |
| <b>Net assets</b>                      | <b>7,314</b>  | <b>7,360</b>         | <b>(8,592)</b>               | <b>1,075</b>  | <b>7,157</b>    |
| Minority interests                     | (1,463)   | (1,833)              | 2,034                        | (497)   | (1,759)         |
| Goodwill                               | 23,464  | 799                  | 12,692                       | 1,632   | 38,587          |
| <b>Consideration</b>                   | <b>29,315</b>                                       | <b>6,326</b>         | <b>6,134</b>                 | <b>2,210</b>  | <b>43,985</b>   |
| Satisfied by:                          |   |                      |                              |   |                 |
| Equity                                 | 11,455  | –                    | –                            | –   | 11,455          |
| Cash                                   | 17,860  | 6,326                | 6,134                        | 2,210   | 32,530          |
|  | <b>29,315</b>                                       | <b>6,326</b>         | <b>6,134</b>                 | <b>2,210</b>  | <b>43,985</b>   |

### Goodwill

The goodwill on acquisition of Warner Bros. Studio Stores Limited, ENIC Hellas SA, Otto Srl, ENIC Football Management Sarl and The Rangers Football Club plc was £95,085,000, which has been taken to reserves in line with the Group's accounting policy.

The year end of The Rangers Football Club plc is 31 May. The equity adjustment at Group level is based on the results for the year ended 31 May 1998.

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# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 24 Net cashflow from operating activities

|  | 15 months<br>ended<br>30 June<br>1998<br>£'000 | Year ended<br>31 March<br>1997<br>£'000 |
|--|--|---|
| Operating (loss)/profit                        | (4,880)  | 1,249                                   |
| Depreciation of tangible fixed assets          | 1,328  | –                                       |
| Amortisation of intangible fixed assets        | 1,283  | –                                       |
| Decrease in stocks                             | 327  | –                                       |
| Decrease in debtors                            | 7,260  | 19                                      |
| Increase/(decrease) in creditors               | 682  | (821)                                   |
| Profit on sale of investments                  | (3,235)  | –                                       |
| Tax on franked and unfranked investment income | –  | (88)                                    |
| Net cash inflow from operating activities      | <u>2,765</u>                                   | <u>359</u>                              |

## 25 Reconciliation of net cash flow to movement in net funds

|                                     |               |            |
|-------------------------------------|---------------|------------|
| Increase/(decrease) in cash         | 38,381        | (1,018)    |
| Issue of bonds                      | (25,517)      | –          |
| Net funds at 1 April 1997           | 611           | 1,629      |
| Net cash acquired with subsidiaries | 5,491         | –          |
| Net funds at 30 June 1998           | <u>18,966</u> | <u>611</u> |

## 26 Analysis of changes in net debt

|                          | At<br>31 March<br>1997<br>£'000 | Cash flow<br>£'000 | Non<br>cash<br>movement<br>£'000 | At<br>30 June<br>1998<br>£'000 |
|--------------------------|---------------------------------|--------------------|----------------------------------|--------------------------------|
| Cash in hand and at bank | 611                             | 38,453             | 5,491                            | 44,555                         |
| Overdrafts               | –                               | (72)               | –                                | (72)                           |
|                          | <u>611</u>                      | <u>38,381</u>      | <u>5,491</u>                     | <u>44,483</u>                  |
| Bonds                    | –                               | –                  | (25,517)                         | (25,517)                       |
|                          | <u>611</u>                      | <u>38,381</u>      | <u>(20,026)</u>                  | <u>18,966</u>                  |

## 27 Major non-cash transactions

During the period the Company issued zero coupon bonds with a total redemption value of £28,400,000 as part of the consideration to acquire a 25.1% stake in The Rangers Football Club plc.  
See note 21 for shares also issued as consideration for purchase of subsidiary undertakings.

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 28 Reconciliation of movements in shareholders' funds

|  | Group           |            |
|--|-----------------|------------|
|  | 15 months ended | Year ended |
|  | 30 June         | 31 March   |
|  | 1998            | 1997       |
|  | £'000           | £'000      |
| (Loss)/profit for the financial period | (3,893)         | 1,029      |
| Issue of shares                        | 133,783         | 400        |
| Goodwill written off to reserves       | (95,085)        | –          |
| Movement in unrealised losses          | 509             | –          |
| Loss on foreign exchange               | (50)            | –          |
| Net increase in shareholders' funds    | 35,264          | 1,429      |
| Shareholders' funds at 1 April 1997    | 15,230          | 13,801     |
| Shareholders' funds at 30 June 1998    | 50,494          | 15,230     |
| Attributable to:                       |                 |            |
| Equity shareholders                    | 50,475          | 15,211     |
| Non-equity shareholders                | 19              | 19         |
|  | 50,494          | 15,230     |

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## 29 Capital commitments

Neither the Group nor the Company had any capital commitments at 30 June 1998 or 31 March 1997. Amounts contracted for but not provided in the accounts amounted to £604,000 (1997: nil).

## 30 Pensions

Warner Bros. Studio Stores currently participates in the Time Warner UK Pension Plan, which is a defined benefit final salary scheme. Following the acquisition of 80% of the company by ENIC in May 1998, alternative pension arrangements are being considered and will be put into place during November 1998. The assets of the Time Warner Pension Plan are held in a separately administered scheme and the costs assessed on the advice of a qualified actuary, using the projected unit method. The latest actuarial assessment of the plan was at 6 April 1996 and showed that the solvency rate was 105.2% and fully covered its liabilities arising in respect of pensioners and deferred pensioners prior to that date and the benefits which contributing members had earned in respect of pensionable service to and at that date. As a result of this valuation, contributions from employees remain unchanged and employers' contributions were made at a rate of 18.3% to 5 April 1998 and reduced to 10.6% thereafter. The Group did not participate in any other pension schemes.

## 31 Leasing commitments

The Group has operating lease payments in respect of land and buildings amounting to £3,040,000 (1997: £nil) due within one year.

The leases to which these relate expire as follows:

|                            | £'000 |
|----------------------------|-------|
| In one year or less        | –     |
| Between one and five years | 246   |
| In five years or more      | 2,794 |
|                            | 3,040 |

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## 32 Contingent liabilities

- (i) Proceedings were commenced by Estimator Limited against ENIC plc in the English High Court on 13 March 1998 for the alleged breach of the Vicenza Shareholders Agreement to which Estimator Limited was one of six parties. The alleged breach is based on the decision not to proceed with the flotation of Vicenza. Estimator Limited is claiming damages which are, as yet, unquantified. Estimator Limited believes that its claim is worth between ITL 12.7 billion (£4.0 million) and ITL 14.4 billion (£4.8 million) (translated at ITL 3025 = £1). The directors reject the claims made and the action is being vigorously defended by the Company.
- (ii) In May 1998, UEFA introduced a rule banning clubs under common control from competing in the same European competition. On 16 July 1998, the Court of Arbitration for Sport in Switzerland granted the Group interim relief against the introduction of the rule. The ruling will be vigorously contested by the Group at the full hearing of the case.

## 33 Post balance sheet events

- (i) In July 1998, the Company disposed of its equity investment portfolio for aggregate consideration of £5.8m realising a profit of £150,000.
- (ii) In July 1998, following a placing of shares, Siapita Inc. reduced its shareholding in Autonomy Corporation plc from 20.1% to approximately 9% for aggregate consideration after costs of US\$8.1m (£4.9m), realising a profit of £2.4 million.
- (iii) On 15 September 1998, the group purchased 50% of the share capital of FC Basel Marketing AG for aggregate consideration of CHF 1,000,000 (£404,858). An option to acquire a further 10% of the Company subject to satisfying certain conditions has also been granted. The Group is also to provide an additional £607,287 through the provision of an interest-free subordinated loan facility. Further loans of approximately £1,000,000 in the aggregate may also be made, subject to Basel meeting certain performance conditions.

## 34 Transactions with directors and other related parties

### (i) S J Berwin & Co

Mr Metliss, a director of the Company, is also a partner of S J Berwin & Co, solicitors to the Company. The total fees paid or payable to S J Berwin & Co for its services for the period ended 30 June 1998 amounted to £1,160,362 excluding VAT (1997: £58,000) of which £398,565 was outstanding at 30 June 1998 (1997: £nil).

### (ii) Metropole Limited

Metropole Limited, a service company wholly owned by Mr Levy and his immediate family, provided the services of Mr Levy under a consultancy agreement, which was terminated during the period, when Mr Levy became an employee of the company. During the period under review, acquisitions aggregating £10 million or more were completed and as a result, Metropole Limited became entitled to consultancy fees of £75,000 per annum backdated to 29 November 1995. No such consultancy fees were paid during the year ended 31 March 1997. In addition, Metropole Limited was paid by the Company for the services of Mr Levy as a director. Total fees for the period ended 30 June 1998 amounted to £10,000 (excluding VAT) (31 March 1997: £10,000) of which nothing was outstanding as at 30 June 1998 (1997: £nil).

# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

## (iii) Time Warner

Mr Romanelli, a director of the Company, is president of Warner Bros. Consumer Products, an operating division of Time Warner Entertainment L.P. The Company acquired 80% of Warner Bros. Studio Stores Limited, (the consideration for which is set out in note 23 on page 30), issued warrants to Time Warner Entertainment LP (as set out in note 21 on page 28) and established a joint venture for the development of an entertainment restaurant concept.

## (iv) Farewell International Limited

On 19 September 1997, a service company wholly owned by Mr Hersov, Farewell International Limited, was granted the benefit of options over 1,000,000 ordinary shares which will be exercisable as follows:

- (a) options over 100,000 ordinary shares will be exercisable during the period of three years commencing on 19 September 1998 at a price per share of 250 pence;
- (b) options over 100,000 ordinary shares will be exercisable during the period of two years commencing on 19 September 1999 at a price per share of 250 pence;
- (c) options over 100,000 ordinary shares will be exercisable during the period of one year commencing on 19 September 2000 at a price per share of 250 pence; and
- (d) options over 700,000 ordinary shares will be exercisable within the period of two years commencing on 19 September 2000 at a price of 193.25p per share, equal to the average market price of the ordinary shares over the three months period immediately following the Company's relisting as a trading company provided that the service company or Mr. Hersov himself has introduced to the Company and/or substantially facilitated one or more transactions having an aggregate consideration of more than £50 million in the media, sports and/or leisure sectors

These options were granted subject to shareholder approval which was given on 7 May 1998.

The part-time services of Mr Hersov are provided under a consultancy agreement with Farewell, originally at a rate of £50,000 per annum. Since the year end, the terms of the consultancy agreement have been amended so that Farewell does not receive any consultancy fees. However, Mr Hersov is entitled personally to director's fees of £4,000 per annum (which he waived for the period up to 31 March 1998).

## (v) Pangolin International Limited

On 29 July 1998 the board reached agreement in principle to acquire the shares in Otto S.r.l. (the holding company of Vicenza Calcio S.p.A.) held by Pangolin International Limited (a company associated with Mr. Hersov, a director of ENIC plc) and Third Dimension Limited. Since Mr. Hersov is a director of the Company, shareholder approval will be required and proposals will be put to shareholders in due course. Pangolin and Third Dimension each hold approximately 9% of the shares in Otto.

## (vi) Pan-Caribbean Investments Inc.

On 7 May 1998 the Company received approval from shareholders for the exercise of its options over Siapita Inc., the holding company of 20.1% of Autonomy Corporation plc and Albany Inc., the holding company of 25.1% of the Rangers Football Club plc. Both companies were wholly owned by Mr J. C. Lewis, who was also, at the time, the holder of all the shares of Pan-Caribbean Investments Inc., the company's largest shareholder. The consideration for the exercise of the option over the shares of Albany comprised the issue of zero coupon bonds with a subscription value of £25m (redemption value £28.4m) and 18,072,289 new ordinary shares.

Mr J C Lewis has transferred his interest in ENIC plc held through Pan-Caribbean Investments and also arising as a result of the exercise of the Company's option over Albany Inc. to Mr C B Lewis, other members of his family and certain members of the Company's management and their families. Mr C B Lewis is now the sole shareholder of Pan-Caribbean Investments Inc.

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# Notes to the Financial Statements

for the 15 months ended 30 June 1998 – continued

**(vii) Henderson plc**

Mr Clarke, who was a director of the Company, was a director of Henderson plc, subsidiaries of which acted as investment manager during the period under review.

**(viii) Hargreave Hale (London) Limited**

Mr Hargreave, a director of the Company, is chairman of Hargreave Hale (London) Limited, which is one of the brokers through which the Company bought and sold investments whilst it was an investment trust.

# Notice of Meeting

Notice is hereby given that the seventy-seventh Annual General Meeting of ENIC plc will be held at 222 Grays Inn Road, London WC1X 8HB on 9 December 1998 at 10.00am for the following purposes:

## Routine business


- 1 To receive the Report of the Directors and Audited Accounts for the period ended 30 June 1998.
- 2 To re-elect J A Metliss as a director of the Company
- 3 To re-elect H T Stanton as a director of the Company.
- 4 To elect C B Lewis as a director of the Company.
- 5 To elect G McSloy as a director of the Company.
- 6 To elect D Romanelli as a director of the Company.
- 7 To re-appoint the auditors at a fee to be determined by the directors.

## Special business

To be passed as a SPECIAL RESOLUTION:

- 8 THAT the Directors be empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue or open offer in favour of holders of Ordinary Shares of 2.5p each in the capital of the Company and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of Ordinary Shares and such other persons' holdings (or as appropriate to the number of such Ordinary Shares of 2.5p each in the capital of the Company which such other persons are for these purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares of 2.5p each in the capital of the Company held or deemed to be held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any Stock Exchange in any territory;
  - (b) the allotment of equity securities up to an aggregate nominal amount of £120,457.

and shall expire at the conclusion of the next annual general meeting of the Company, or fifteen months after the date hereof if earlier, save that the Company may at any time before such expiry make an offer or agreement which could or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board  
S E Dixon   
20 October 1998

## Notes

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote for him. A proxy need not be a member of the Company. To be valid the Form of Proxy must be completed and deposited at the office of the Company's Registrar not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting. A Form of Proxy for use at the above meeting is enclosed. The return of the Form of Proxy duly completed will not preclude a member from attending and voting at the meeting.

In accordance with the requirements of the Companies Act 1985, the register of directors' interests will be available for inspection at the Annual General Meeting.

Copies of the Directors' service agreements will be available at the Annual General Meeting.

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 6pm on 7 December 1998 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on 7 December 1998 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## Registered office

1 Tenison Court  
Off Regent Street  
London W1R 5LP

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## Advisers

### **Bankers:**

The Royal Bank of Scotland plc  
3-10 Great Tower Street  
London  
EC3P 3HX

### **Registrars:**

Computershare Services plc  
PO Box 435  
Owen House  
8 Bankhead Crossway North  
Edinburgh EH11 4BR

### **Solicitors:**

S J Berwin & Co  
222 Gray's Inn Road  
London  
WC1 8HB

### **Stockbrokers:**

Merrill Lynch International  
20 Farringdon Road  
London  
EC1M 3NH

### **Auditors:**

Grant Thornton  
Registered auditors  
Chartered accountants  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

### **PR Consultants:**

Financial Dynamics  
30 Farnival Street  
London EC4A 1BE

### **Financial Advisers:**

Deutsche Bank AG  
6 Bishopsgate  
London  
EC2N 4DA