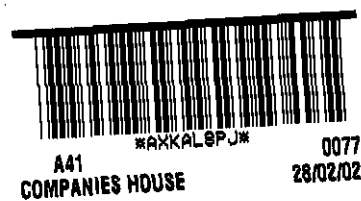


2663676

**WINEWORLD LONDON PLC**

**FINANCIAL STATEMENTS  
FOR THE 16 MONTHS ENDED  
31 JULY 2000**



# Wineworld London plc

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# **Wineworld London plc**

## **Company Information**

### **Directors**

Alexander Anderson (Chairman)\*

Leslie Fry

Michael Loubser \*

John Lowther \*

Roger Wood \*

\* non-executive

### **Secretary**

Carole Lacey

### **Registered Office**

Devonshire House

60 Goswell Road

London

EC1M 7AD

### **Company Number**

2663676

### **Bankers**

Bank of Scotland

38 Threadneedle Street

London

EC2P 2EH

### **Auditors**

PricewaterhouseCoopers

1 Embankment Place

London

WC2N 6RH

# Wineworld London plc

## Report of the Directors

The directors present their report and financial statements for the period ended 31 July 2000.

### Principal activity and business review

Wineworld London plc opened Vinopolis - London's Wine Tasting Visitor Attraction to the public on 23 July 1999 and commenced trading from this point. Vinopolis is London's first visitor attraction dedicated to the world of wine and its associated activities in a multi-faceted leisure complex on the south bank of the River Thames in Southwark, London.

The major feature of Vinopolis is the Wine Odyssey, a pay-to-enter audio-visual tour of the world's wine regions, cultures, history and flavours, aimed principally at adults with tasting tables throughout the vaulted halls in which the tour is set. Another significant activity is corporate hospitality and events. Vinopolis also has a fine dining restaurant including a wine bar called Cantina Vinopolis and a separate wine bar called Wine Wharf on site of which the Company owns a 40% share. In addition Vinopolis houses retail facilities and a variety of educational, training and subscription services open to the wider public.

The results for the period, which covered approximately four months of pre-opening preparation and expenditure and the first year of operation were disappointing from a revenue generating perspective. After the high levels of attendance during the initial period of opening, paying visitors to the Wine Odyssey dropped to unsustainable levels in relation to the cost structure in place.

The management responded by implementing a more efficient cost structure which necessitated the post-year end resignation of the executive directors with the exception of John Lowther who was promoted to managing director. Roger Wood moved to a non-executive position and Sir Thomas Macpherson and Michael Broadbent resigned their non-executive positions as at 31 August 2000. A number of other employees accepted redundancy.

During the period, three awards were achieved: (i) "Young Communicator of the Year" from the international Wine and Spirit Competition; (ii) "Best New Attraction" and "Best Small Attraction" from the Group Travel Organisation; (iii) Red "M" Michelin for Cantina Vinopolis.

### Results and dividend

The results of the period are set out on page 7.

The directors do not recommend the payment of a dividend. (March 1999 - Nil)

### Subsequent Events

Since 31 July 2000, overall income levels have improved compared with the first years levels, producing an operating profit from April 2001 onwards. Of particular success has been the corporate events activity with Vinopolis recognised as one of London's most popular large scale events facilities. The exhibition won the "Best Guided Tour Attraction" award for 2001.

As well as reducing costs, the management launched a number of new products including Private and Corporate Wine Tastings enabling the company's reliance on the 'traditional' tour product to be reduced. The tour was restructured to enable a significant increase in the use of space for the marketing of corporate events during the daytime in addition to evenings.

After depreciation and interest costs, the Company has continued to trade at a loss before taxation, albeit very significant smaller than the loss before taxation in the previous period.

Since 31 July 2000, the Company has restructured part of its Convertible Loan Stock by converting £5,075,000 into Ordinary shares. In addition, in order to enable the Company to continue to trade and to fund the higher than projected net losses before taxation, three directors have provided loans totalling £1,055,000.

# Wineworld London plc

## Report of the Directors

### Fixed assets

In the light of the trading losses, the directors have conducted an impairment review in accordance with FRS11 - "Impairment of Fixed Assets and Goodwill". As a result of this review, these financial statements include an exceptional impairment charge totalling £4,217,952 (31 March 1999 - £2,557,555). This charge consists of:

Exceptional impairment write down on intangible assets	£262,795
Exceptional impairment charge on tangible assets	
- Long Lease Land and Buildings	£1,446,955
- Fit-out	£2,508,202
	<u>£4,217,952</u>

Long Lease Land and Buildings have been written down at 31 July 2000 to £7,500,000 which is based upon a valuation by Matthews and Goodman, Chartered Surveyors, based on an open market value of £7,500,000 on an alternative use basis as permitted under planning permissions granted.

The directors do not currently anticipate that any further impairment write downs will be required. As at 31 March 1999 the value of the Long Lease Land and Buildings in the balance sheet was written down by £2,557,555 and this was taken in that year as a charge to the profit and loss account.

### Directors and their interests

The directors who served the company throughout the period together with their interests (including family interests) in the shares of the company, at the beginning and end of the year, were as follows:

	Appointed	Resigned	Ordinary shares of £0.25 each	
			31 July 2000	1 April 1999
Sir Thomas Macpherson	29.03.96	31.08.00	120,000	60,000
Alexander Anderson	30.09.98	-	11,290,594	2,686,166
Catharine Hampton	19.10.99	31.08.00	-	-
Anthony Hodges	29.02.96	17.11.99	448,933	398,933
Simon Wood	01.03.99	31.08.00	4,500	4,500
John Lowther	23.03.99	31.07.01	5,554	2,777
Duncan Vaughan-Arbuckle	20.03.99	31.12.99	350,195	363,695
Roger Wood	04.02.97	-	240,403	173,413
Michael Broadbent	01.03.97	31.08.00	22,000	5,000

At the beginning and end of the period, the following directors held options to subscribe for ordinary shares under the Share Option A Plan:

Director	Number of Ordinary Shares under option	Exercise price per Ordinary Share	First Exercise Date	Expiry Date
Simon Wood	330,000	220p	01.06.20	01.06.2004
Roger Wood	333,332	120p	18.06.20	18.06.2004

During the period, no options were exercised.

The non-executive directors were members of the remuneration and audit committees.

# Wineworld London plc

## Report of the Directors

### Supplier payment policy

The company's policy is to agree the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and maintain good working relationships with them. Creditor days for the 16 month period were 47 days. (31 March 1999 - no meaningful comparative)

### Auditors

During the period the Company's previous auditors, Kingston Smith, resigned from office.

In accordance with the Companies Act 1985 PricewaterhouseCoopers were appointed auditors to the company for the period ended 31 July 2000 by an ordinary resolution of the board of directors. It is proposed that they be reappointed auditors for the ensuing year.

### Accounting Period

During the period the Company changed its accounting reference date to 31 July to coincide with the trading period. Accordingly these financial statements are prepared for the sixteen month period to 31 July 2000.

### EMU Impact

Having reviewed its commercial and accounting transactions, the Company is managing the impact of the single currency.

### Going Concern

Since the period end net losses before taxation have continued and the group has only been able to continue to trade as a result of loans from three of its directors. These loans currently total £1,055,000 and are at an annual interest rate of 25%.

The directors have prepared projections to 31 October 2002 which show the Group will be able to meet its repayment obligations to the Group's bank and will not infringe any of its banking convenients. The achievement of these projections is contingent upon successful completion of a proposed debt to equity swap of part of the Group's non bank debt. In the circumstances that the projections are not achieved, the directors believe that further finance will be available and appropriate waivers, if needed, will be granted by the Group's bankers.

Accordingly these financial statements have been prepared on a going concern basis. However, given the net trading losses before taxation to date there cannot be certainty in this respect.

### Employees

The board wish to thank all present and past employees and retired directors for their valuable assistance in supporting Vinopolis through the first year of trading.

By Order of the Board



Carole Lacey  
Secretary

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

Date: 13 November 2001

# **Wineworld London plc**

## **Directors' Responsibilities and Report of the Auditors**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

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

### **Auditors' Report to the Members of Wineworld London plc**

We have audited the financial statements on pages 7 to 22 which have been prepared under the historic cost convention and the accounting policies set out on pages 10 and 11.

### **Respective responsibilities of Directors and Auditors**

The directors are responsible for preparing the Annual Report. As described above this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guide.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you, if in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

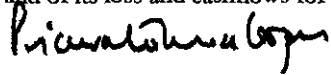
**Wineworld London plc**  
**Directors' Responsibilities and Report of the Auditors**

**Basis of preparation**

In forming our opinion, we have considered the adequacy of the disclosure in Note 1 of the financial statements concerning the Group's financing arrangements and the basis of preparation. In view of the significance of this uncertainty we consider it should be drawn to your attention, but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 July 2000 and of its loss and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

Date: 13 November 2001



**Wineworld London plc**  
**Consolidated Profit and Loss Account**  
**For the period ended 31 July 2000**

		16 months ended 31 July 2000	Year ended 31 March 1999
	Notes	£	£
<b>Turnover</b>	2	3,820,595	110,577
Cost of sales		<u>(969,127)</u>	<u>(17,203)</u>
<b>Gross profit</b>		2,851,468	93,374
Administration expenses			
- other administrative expenses		(10,010,182)	(3,235,472)
- exceptional impairment charge	3	(4,217,952)	(2,557,555)
		(14,228,134)	(5,793,027)
Share of Operating Profit in Associate		<u>24,113</u>	<u>-</u>
<b>Operating Loss</b>	3	(11,352,553)	(5,699,653)
Exceptional item - premium on early settlement of debt		-	(500,000)
Interest receivable and similar income	4	33,476	94,596
Interest payable and similar charges	5	<u>(851,352)</u>	<u>(47,012)</u>
<b>Loss on ordinary activities before taxation</b>		(12,170,429)	(6,152,069)
Taxation	7	<u>-</u>	<u>-</u>
<b>Loss for the financial period</b>	19	<u><u>(12,170,429)</u></u>	<u><u>(6,152,069)</u></u>

There are no recognised gains or losses in the period other than the loss for the period.

The 1999 comparatives are for the twelve months period ended 31 March 1999.

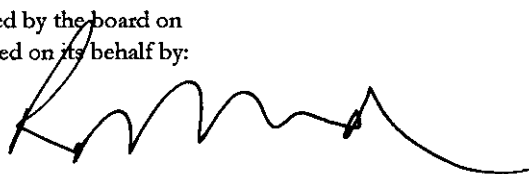
All the above results derive from continuing operations.

# Wineworld London plc

## Consolidated Balance Sheet as at 31 July 2000

	Note	2000 £	2000 £	1999 £	1999 £
<b>Fixed Assets</b>					
Intangible assets	9		-		261,742
Tangible assets	10		13,209,386		7,765,664
Investments	11		<u>149,113</u>		<u>-</u>
			13,358,499		8,027,406
<b>Current Assets</b>					
Stock	13	218,726		125,288	
Debtors	14	2,499,625		705,584	
Cash at bank and in hand		<u>-</u>		<u>1,068,842</u>	
		2,718,351		1,899,714	
<b>Creditors: Amounts falling due within one year</b>	15	<u>(3,759,824)</u>		<u>(3,842,569)</u>	
<b>Net Current Liabilities</b>			<u>(1,041,473)</u>		<u>(1,942,855)</u>
<b>Total Assets Less Current Liabilities</b>			12,317,026		6,084,551
<b>Creditors: Amounts falling due after more than one year</b>	16		<u>(11,633,560)</u>		<u>(2,302,654)</u>
<b>Net Assets</b>			<u><u>683,466</u></u>		<u><u>3,781,897</u></u>
<b>Capital and Reserves</b>					
Called up share capital - equity interests	17		7,078,550		2,401,421
Share premium account	18		13,540,010		9,145,141
Profit and loss account	19		<u>(19,935,094)</u>		<u>(7,764,665)</u>
<b>Shareholders' Funds</b>			<u><u>683,466</u></u>		<u><u>3,781,897</u></u>

Approved by the board on  
and signed on its behalf by:



Director 13 November 2001

# Wineworld London plc

## Consolidated Cash Flow Statement for the period ended 31 July 2000

		Period Ended 31 July 2000		Year Ended 31 March 1999	
	Note	2000 £	2000 £	1999 £	1999 £
<b>Net Cash Outflow from Operating Activities</b>	25		(6,115,801)		(3,050,196)
<b>Returns on Investments and Servicing of Finance</b>					
Interest received		33,476		94,596	
Interest paid		(712,997)		(35,119)	
Facility fees and other bank charges		(96,155)		-	
Premium on early settlement of debt		-		(500,000)	
Interest element on finance lease rental payments		<u>(42,200)</u>		<u>(11,893)</u>	
<b>Net Cash Outflow from Returns and on Investments and Servicing of Finance</b>			(817,876)		(452,416)
<b>Taxation</b>			-		-
<b>Capital Expenditure and Financial Investment</b>					
Payments to acquire intangible fixed assets		(26,575)		(57,442)	
Purchase of subsidiary and associated undertakings		(125,000)		(4)	
Payments to acquire tangible fixed assets		<u>(9,675,519)</u>		<u>(9,267,658)</u>	
<b>Net Cash Outflow from Capital Expenditure and Financial Investments</b>			<u>(9,827,094)</u>		<u>(9,325,104)</u>
<b>Net Cash Outflow before Financing</b>			(16,760,771)		(12,827,716)
<b>Financing</b>					
Issue of ordinary share capital		9,071,998		8,118,743	
Increase in short term borrowings		250,000		3,100,000	
Increase in long term borrowings		3,500,000		-	
Increase in convertible loan stock		5,575,000		-	
Increase in deferred income grant		72,300		2,215,120	
Replacement of short term borrowings		(2,600,000)		(500,000)	
Capital element of finance lease rental payments		<u>(177,369)</u>		<u>(21,620)</u>	
<b>Net Cash Inflow from Financing</b>			<u>15,691,929</u>		<u>12,912,243</u>
<b>(Decrease)/Increase in Cash</b>	26		<u><u>(1,068,842)</u></u>		<u><u>84,527</u></u>

# Wineworld London plc

## Notes to the Financial Statements

### For the period ended 31 July 2000

#### 1 Accounting Policies and basis of preparation

##### Accounting basis and standards

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements, which have been prepared on a going concern basis, show that the Group made losses £12,170,429 in the period and had borrowings of £9,592,174 at 31 July 2000. These borrowings include an overdraft facility of £500,000 and a term loan of £3,500,000 provided by the Group's bankers. The term loan is subject to a number of covenants and a repayment schedule beginning in December 2001.

Since the period end net losses before taxation have continued and the Group has only been able to continue to trade as a result of loans from three of its directors. These loans currently total £1,055,000 and are at an annual interest of 25%.

The directors have prepared projections to 31 October 2002 which show the Group will be able to meet its repayment obligations to the Group's bank and will not infringe any of its banking covenants. The achievement of these projections is contingent, inter alia, upon successful completion of a proposed debt to equity swap of part of the Group's non bank debt. In the circumstances that the projections are not achieved, the directors believe that further finance will be available and appropriate waivers, if needed, will be granted by the Group's bankers.

Accordingly these financial statements have been prepared on a going concern basis. However, given the net trading losses before taxation to date there cannot be certainty in this respect.

##### Turnover

Turnover represents the invoiced value of goods sold and services provided net of value added tax.

##### Depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Land and Buildings	Over the 60 yr lease term
Fit-out	4% straight line
Plant and machinery	25% straight line
Fixtures and fittings	25% straight line
Office and computer equipment	25% to 33% straight line

##### Grants receivable

Grants related to expenditure on tangible assets are treated as deferred income and will be credited to the profit and loss account at the same rate as the depreciation on the assets to which the grants relate once the five year period in which there is a possibility of clawback has elapsed (see note 14).

##### Goodwill

Goodwill is determined by comparing the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets, and is written off over its estimated economic life.

##### Patents and trademarks

The costs of registering patents and trademarks in various countries are capitalised and are amortised over 10 years.

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

##### Deferred taxation

Deferred tax is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

**Wineworld London plc**  
**Notes to the Financial Statements**  
**For the period ended 31 July 2000**

**Foreign currencies**

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

**Pension scheme arrangements**

The company makes contributions to a defined contribution scheme, the assets of which are held separately from the assets of the company. The pension costs charge represents contributions payable to the scheme.

**Leased assets**

Assets obtained under hire purchase or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

**Investments**

Investments in associate companies are capitalised in the balance sheet at the original purchase price. The share of results since acquisition are taken to the profit and loss account and to the carrying value in the balance sheet.

**Wineworld London plc**  
**Notes to the Financial Statements**  
**For the period ended 31 July 2000**

**2 Segmental Reporting**

Turnover is attributable to the principal activities of the Group which arose wholly in the United Kingdom.

	2000	1999
	£	£
Tour & other related income	2,281,063	48,610
Corporate hospitality	1,539,532	61,967
	<u>3,820,595</u>	<u>110,577</u>

The segmental information does not include Loss before Taxation and Net Assets since, in the opinion of the directors, no meaningful segmentation would be appropriate.

**3 Operating Loss**

**The operating loss is stated after charging:**

	2000	1999
	£	£
Auditor's remuneration for the Group	18,291	10,000
Amortisation - intangible assets	25,522	-
Depreciation - owned tangible fixed assets	1,372,119	20,969
Depreciation - assets held under finance leases	68,996	43,888
Exceptional Impairment charge on intangible and tangible assets	4,217,952	2,557,555
Loss on foreign exchange	-	5,890
Operating lease charges - Plant and Machinery	-	5,231
	<u>-</u>	<u>5,231</u>

The exceptional impairment charge on intangible and tangible assets consists of:

	2000	1999
	£	£
Exceptional impairment write down on intangible assets	262,795	-
Exceptional impairment charge on tangible assets:		
- Long Lease Land and Buildings	1,446,955	2,557,555
- Fit-out	2,508,202	-
	<u>4,217,952</u>	<u>2,557,555</u>

The auditor's remuneration for the Company was £18,291.

**4 Interest Receivable**

	2000	1999
	£	£
Bank Interest receivable	<u>33,476</u>	<u>-</u>

**5 Interest Payable and Similar Charges**

	2000	1999
	£	£
Bank loan and short term loan interest	468,621	35,119
Convertible loan stock interest	244,376	-
Facility fees and other bank charges	96,155	-
Finance leases and hire purchase contracts	<u>42,200</u>	<u>11,893</u>
	<u>851,352</u>	<u>47,012</u>

**Wineworld London plc**  
**Notes to the Financial Statements**  
**For the period ended 31 July 2000**

<b>6 Directors and Employees</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Staff costs(including directors) during the period were as follows:		
Wages and salaries	2,601,808	1,076,884
Social security costs	266,035	63,035
Pension, death in service and medical costs	<u>83,862</u>	<u>78,737</u>
	<u><u>2,951,705</u></u>	<u><u>1,218,656</u></u>

The average monthly number of persons employed by the Group, including directors, during the period was 96 (1999: 20). At the end of the period the number of persons employed by the Group was 88 (31 March 1999 34).

<b>Directors &amp; Employees (continued)</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
<b>Directors' Emoluments:</b>		
Emoluments	905,020	439,011
Compensation for loss of office	-	46,000
Company contributions to money purchase pension schemes	<u>22,800</u>	<u>46,375</u>
	<u><u>927,820</u></u>	<u><u>531,386</u></u>

The highest paid director during the period received aggregate emoluments in respect of qualifying services of £213,333 (1999 - £163,713), and he exercised no share options in this period. The company paid £22,800 (1999 - £15,167) in contributions to a money purchase pension scheme in respect of two of the director's qualifying services of which the highest paid director is not one.

**Wineworld London plc**  
**Notes to the Financial Statements**  
**For the period ended 31 July 2000**

**7 Taxation - Group and Company**

No Corporation Tax liability arises in the period due to the losses incurred,(31 March 1999 £Nil)

**8 Company Profit and Loss Account**

The Company has taken advantage of the exemption under Section 230 of the Companies Act 1985, and has not presented its own Profit and Loss Account.

**9 Intangible Assets - Group and Company**

	Patents and Trademarks	Goodwill	Total
Cost	£	£	£
At 1st April 1999	67,937	193,805	261,742
Additions	26,575	-	26,575
At 31st July 2000	94,512	193,805	288,317
<b>Depreciation</b>			
At 1st April 1999	-	-	-
Charge for the period	12,602	12,920	25,522
Impairment	81,910	180,885	262,795
At 31st July 2000	94,512	193,805	288,317
<b>Net Book Value</b>			
At 31st July 2000	-	-	-
At 31st March 1999	67,937	193,805	261,742

In the light of the trading losses the directors have conducted an impairment review in accordance with FRS11. As a result of this review, the directors have decided to make an exceptional impairment write down of £262,795 on the intangible assets at 31 July 2000.



**Wineworld London plc**  
**Notes to the Financial Statements**  
**For the period ended 31 July 2000**

<b>10 Tangible Assets - Group and Company</b>	<b>Long Lease Land and Buildings</b>	<b>Fit-out</b>	<b>Plant and Machinery</b>	<b>Office Equipment and Furniture</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1st April 1999	7,582,353	2,549,319	5,250	255,643	10,392,565
Additions	4,499,847	5,489,973	429,698	420,476	10,839,994
At 31st July 2000	<u>12,082,200</u>	<u>8,039,292</u>	<u>434,948</u>	<u>676,119</u>	<u>21,232,559</u>
<b>Depreciation</b>					
At 1st April 1999	2,557,555	-	3,001	66,345	2,626,901
Charge for the period	577,690	447,920	144,983	270,522	1,441,115
Impairment	1,446,955	2,508,202	-	-	3,955,157
At 31st July 2000	<u>4,582,200</u>	<u>2,956,122</u>	<u>-</u>	<u>336,867</u>	<u>8,023,173</u>
<b>Net Book Value</b>					
At 31st July 2000	<u>7,500,000</u>	<u>5,083,170</u>	<u>286,964</u>	<u>339,252</u>	<u>13,209,386</u>
At 31st March 1999	<u>5,024,798</u>	<u>2,549,319</u>	<u>-</u>	<u>189,298</u>	<u>7,765,664</u>

In the light of the trading losses, the directors have conducted an impairment review in accordance with FRS 11. As a result of this review, the directors have decided to make an exceptional impairment charge at 31 July 2000 of £3,955,157 (31 March 1999 £2,557,555) on the tangible assets.

Long Lease Land and Buildings have been written down at 31 July 2000 to £7,500,000 which is based upon a valuation by Matthews and Goodman, Chartered Surveyors, based on an open market value of £7,500,000 on an alternative use basis as permitted under planning permissions granted.

In the prior period Long Lease Land and Buildings and Fit-out were categorised as Assets in the Course of Construction as Vinopolis, City of Wine had not at that stage opened. The £10,131,672 cost shown in the prior period has been split accordingly of the depreciation charge in the prior period £2,557,555 was an impairment write down in accordance with FRS 11 and related wholly to the main site shell and core cost.

Tangible Assets held under finance leases included in Office Equipment and Furniture in the table above are:

	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Cost	124,285	-
Additions	4,528	124,285
Depreciation charge for the period	(68,996)	-
Net book value	<u>59,817</u>	<u>124,285</u>

**11 Interests in Associated Undertakings**

	<b>Group</b>
	<b>£</b>
Cost	
At 1st April 1999	-
Additions	125,000
Share of Associate result	24,113
At 31st July 2000	<u>149,113</u>

The associated undertaking comprises a 40% Ordinary 'B' Shares holding in Vinum Restaurant Company Limited, a company incorporated in England and whose business is restaurant and wine bars.

The associated undertaking has been equity accounted for in accordance with Financial Reporting Standard 9.

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**12 Subsidiary Undertakings**

Name	County of Incorporation	Class of share	Proportion held	Nature of business
Vinopolis Limited	England	Ordinary	100%	Dormant
WWSB Limited	England	Ordinary	100%	Dormant
Wineworld Limited	England	Ordinary	100%	Dormant

**13 Stocks - Group and Company**

	2000	1999
	£	£
Finished Goods	218,726	-
Work in progress	-	125,288

**14 Debtors - Group and Company**

	2000	1999
	£	£
Trade debtors	549,034	63,720
Other debtors	1,831,476	580,982
Prepayments and accrued income	119,115	60,882
	<u>2,499,625</u>	<u>705,584</u>

**15 Creditors: Amounts Falling Due Within One Year -  
Group and Company**

	2000	1999
	£	£
Trade creditors	1,395,678	877,375
Social security and other taxes	920	90,294
Other creditors	18,776	2,615,348
Bank overdraft	267,174	-
Convertible Loan Stock	250,000	-
Obligations under finance leases and hire purchase contracts	840,251	36,751
Accruals and deferred income	987,025	222,807
	<u>3,759,824</u>	<u>3,842,575</u>

The overdraft with the Bank of Scotland is subject to the same terms on security and interest as those which apply to the Loan described in Note 16.

The Convertible Loan Stock (Series B) was repayable at the loan stock holder's request by notice to be given at any time prior to 31 July 2000. It was repaid after 31 July 2000.

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**16 Creditors: Amounts Falling Due After More Than One Year -  
Group and Company**

	2000	1999
	£	£
Obligations under finance leases and hire purchase contracts	271,140	87,534
Deferred income grant	2,287,420	2,215,120
Bank of Scotland Term Loan	3,500,000	-
Convertible Loan Stock	5,575,000	-
	<u>11,633,560</u>	<u>2,302,654</u>

The grant was provided by English Partnerships as funding for the refurbishment of the Group's property. They are entitled to clawback payments equivalent to 50% of any increase in the open market value of the property either two years or five years following completion of the refurbishment works or on disposal, after taking into account any sums already paid. They have a floating and a fixed charge over the Long Lease Land and Buildings of the Group, both charges ranking behind Bank of Scotland and certain providers of funds to the Group.

The Bank of Scotland Term Loan and Overdraft are secured by means of a floating and fixed charge over the Long Lease Land and Buildings of the Group. The realisation value of the Long Lease Land and Buildings charged in favour of Bank of Scotland shall not be less than 150% of the amount of the facility outstanding at any time.

The Facility is repayable by equal quarterly instalments of £250,000 commencing 31 December 2001 so that the loan is repaid in full on or before 30 March 2005. The Group pays interest in quarterly arrears at an annual rate which is the sum of (1) the Margin (2.25%) and (2) the Bank of Scotland base rate as that fluctuates.

The Convertible Loan Stock (Series A,C and D) is convertible in whole or in part into Ordinary shares at the rate of £1.87 nominal value of Convertible Loan Stock per Ordinary share. They are repayable on or before 27 May 2004 and are secured by means of a legal charge over the Long Lease Land and Buildings of the Company ranking behind the Bank of Scotland security, and in certain circumstances behind English Partnerships. Thistledown Investments Limited contributed £4,200,000 to the Convertible Loan Stock issued during the period.

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**Notes to the Financial Statements**  
**For the period ended 31 July 2000**

**17 Share Capital - Group and Company**

	2000	1999
	£	£
At the beginning of the period	2,401,421	1,282,398
Share issues	4,677,129	1,119,023
	<u>7,078,550</u>	<u>2,401,421</u>
At the end of the period		
	2000	1999
	£	£
The share capital comprises:		
Authorised:		
80,000,000 (1999 - 40,000,000) Ordinary shares of 25p each	<u>20,000,000</u>	<u>10,000,000</u>
Called up, allotted and fully paid		
28,314,196 (1999 - 9,605,685) Ordinary shares of 25p each	<u>7,078,550</u>	<u>2,401,421</u>

During the period, the issued share capital has been increased as follows:  
in July 1999, 1,461,289 Ordinary shares were issued at £2.20 each;  
in December 1999, 7,347,707 Ordinary shares were issued at £0.60 each; and  
in July 2000, 9,899,515 Ordinary shares were issued at £0.25 each.

Since the period end, the issued share capital has been increased in August 2000, with 20,093,130 Ordinary shares being issued at £0.25 each.

**18 Share Premium - Group and Company**

	2000	1999
	£	£
At the beginning of the period	9,145,141	2,145,421
Share issue expenses	(370,710)	(1,281,147)
Share issues	4,765,579	8,280,867
	<u>13,540,010</u>	<u>9,145,141</u>
At the end of the period		

**19 Profit and Loss Account**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
At the beginning of the period	(7,764,665)	(1,612,596)	(7,764,665)	(1,612,596)
Loss for the period	(12,170,429)	(6,152,069)	(12,194,542)	(6,152,069)
	<u>(19,935,094)</u>	<u>(7,764,665)</u>	<u>(19,959,207)</u>	<u>(7,764,665)</u>
At the end of the period				

**20 Obligations Under Finance Leases and Hire Purchase Contracts - Group and Company**

	2000	1999
	£	£
At 31 July 2000 the company had obligations under finance leases and hire purchase contracts which are set out below:		
Net amount payable:		
Within one year	840,251	36,751
Between 2 and 5 years	271,140	87,534
Over 5 years	-	-
	<u>1,111,391</u>	<u>124,285</u>

**Wineworld London plc**  
**Notes to the Financial Statements**  
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**21 Operating Lease Commitments - Group and Company**

**Operating leases for Office and Computer Equipment**

At 31 July 2000 the Group and Company had annual commitments under operating leases as set out below:

	2000	1999
Operating leases - Plant and Machinery which expire: in the second to fifth year	£ -	£ 5,231

**22 Capital Commitments - Group and Company**

At 31 July 2000 the Group and Company had £nil (31 March 1999 £7,654,114) contracted capital commitments.

**23 Transactions With Directors and Related Party Transactions**

**The Hodges Consultancy**, a marketing consultancy owned by Anthony Hodges, a non-executive director, handled certain marketing requirements of the Group from 1 January 1999 under a contract. On commercial terms standard to marketing consultancies, a commission of 17.65% is charged on business handled in-house by The Hodges Consultancy and 8.825% on business sourced through third parties.

Invoices totalling £479,413(1999: £223,499) including commission were paid to The Hodges Consultancy by the Group during the period. These transactions were on normal commercial terms.

**Thistledown Investments Limited**, a banking and finance company owned by Mr. Alexander Anderson, a director, provided finance by way of leases and loans to the Group during the period on commercial terms standard to finance companies.

During the period, the following charges from Thistledown Investments Limited were incurred by the Group:-

Consultancy and non-executive director fees	125,625
Leasing interest	23,374
Loan interest	184,103
	<hr/> 333,102 <hr/>

Plant and machinery purchased on finance leases from Thistledown Investments Limited totalled £1,133,798 during the period. Of this amount, £998,930 remained due at 31 July 2000, with £792,815 due within one year and £206,115 due after more than one year. The leases have scheduled payments over three years with an effective interest charge of 13% per annum.

Thistledown Investments Limited provided short term loans during the period which, together with the £2,600,000 due at 1 May 1999, were converted into £4,200,000 Convertible Loan Stock during the period. The Group paid interest on the short term loans weekly in arrears at an annual rate which was the sum of (1) 4.75% and (2) the Bank of Scotland base rate.

The Convertible Loan Stock was issued with repayments on or before 24 May 2004 and with interest payable quarterly in arrears at an annual rate of 4.75% above the Bank of Scotland base rate. The Convertible Loan Stock owned by Thistledown Investments Limited was converted into Ordinary shares in August 2000 at £1.87 nominal value of Convertible Loan Stock per Ordinary share. Simultaneously the new Ordinary shares were transferred from Thistledown Investments Limited to Mr. Alexander Anderson.

At the date this financial statement was signed Mr. Alexander Anderson and his family interest owned 28,090,594 Ordinary shares.

**Wineworld London plc**  
**Notes to the Financial Statements**  
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Thistledown Investments has an option granted by the Company over 120,000 Ordinary shares at an exercise price of £2.20 per share exercisable at any time prior to 26 July 2004. The consideration for subscription to such shares shall be the waiver by Thistledown Investments of fees of £264,000 payable under the Convertible Loan Stock subscription agreement.

At 31 March 1999, other creditors included a loan of £2,600,000 provided by Thistledown Investments Limited, a company in which Mr. Alexander Anderson, a director, has a material interest. This loan was converted into Convertible Loan Stock during the period.

During the 16 month period the Company made sales of £652,505 to and purchased services of £23,565 from **Vinum Restaurant Company Limited** in which the Company is a shareholder.

All these transactions were undertaken at arms length. Included within trade debtors is an amount of £78,964 due from Vinum Restaurant Company Limited. There is no outstanding balance included in the trade creditors.

**24 Pension Commitments**

The company makes contributions to a defined contribution scheme, the assets of the scheme being held separately from the assets of the company. The pension cost charge represents contributions payable to the scheme and amounted to £100,482.33 (1999: £78,737). Contributions to the scheme totalling £13,741 (1999: £15,348) were payable to the scheme at the period end and are included in the creditors due within one year. The outstanding contributions were paid August 2000.

**Wineworld London plc**  
**Notes to the Consolidated Cash Flow Statement**  
**For the period ended 31 July 2000**

25 Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities	2000 £	1999 £
Operating loss	(11,352,553)	(5,699,653)
Share of associate	(24,113)	-
Depreciation -		
Owned tangible assets	1,372,119	20,969
Assets held under finance leases	68,996	43,888
Amortisation of intangible assets	25,522	-
Exceptional impairment charge on intangible and tangible assets	4,217,952	2,557,555
Increase in stock	(93,438)	(125,288)
Increase in debtors	(1,794,041)	(561,024)
Increase in creditors	1,463,755	713,357
	<u>(6,115,801)</u>	<u>(3,050,196)</u>

26 Reconciliation of Net Cash Flow to the Movement in Net Debt	2000 £	1999 £
(Decrease)/Increase in cash in the year	(1,068,842)	84,527
Cash inflow from increase in debt and lease financing	<u>(6,547,631)</u>	<u>(2,578,380)</u>
Change in net debt resulting from cash flows	(7,616,473)	(2,493,853)
New finance leases	(1,164,475)	(145,905)
Net debt at 1st April 1999	<u>(1,655,443)</u>	<u>984,315</u>
Net debt at 31st July 2000	<u>(10,436,391)</u>	<u>(1,655,443)</u>

27 Analysis of Changes in Net Debt	At 1st April 1999 £	Cash flow £	Other non-cash changes £	At 31st July 2000 £
Cash at bank	1,068,842	(1,068,842)	-	-
Finance leases	(124,285)	177,369	(1,164,475)	(1,111,391)
Debt due within one year	(2,600,000)	2,350,000	-	(250,000)
Debt due after one year	-	(9,075,000)	-	(9,075,000)
	<u>(1,655,443)</u>	<u>(7,616,473)</u>	<u>(1,164,475)</u>	<u>(10,436,391)</u>

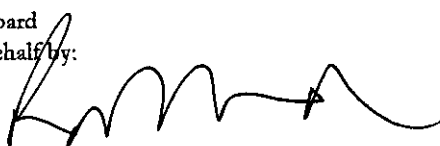
**28 Major Non-cash Transactions**

During the period, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £ 1,164,475 (1999 - £145,905).

**Wineworld London plc**  
**Company Balance Sheet as at 31 July 2000**

	Note	2000 £	2000 £	1999 £	1999 £
<b>Fixed Assets</b>					
Intangible assets	9		-		261,742
Tangible assets	10		13,209,386		7,765,664
Investments	11		<u>125,006</u>		<u>6</u>
			13,334,392		8,027,412
<b>Current Assets</b>					
Stock	13	218,726		125,288	
Debtors	14	2,499,625		705,584	
Cash at bank and in hand		<u>-</u>		<u>1,068,842</u>	
		2,718,351		1,899,714	
<b>Creditors: Amounts falling due within one year</b>	15	<u>(3,759,830)</u>		<u>(3,842,575)</u>	
<b>Net Current (Liabilities)/Assets</b>			<u>(1,041,479)</u>		<u>(1,942,861)</u>
<b>Total Assets Less Current Liabilities</b>			12,292,913		6,084,551
<b>Creditors: Amounts falling due after more than one year</b>	16		<u>(11,633,560)</u>		<u>(2,302,654)</u>
<b>Net Assets</b>			<u><u>659,353</u></u>		<u><u>3,781,897</u></u>
<b>Capital and Reserves</b>					
Called up share capital - equity interests	17		7,078,550		2,401,421
Share premium account	18		13,540,010		9,145,141
Profit and loss account	19		<u>(19,959,207)</u>		<u>(7,764,665)</u>
<b>Shareholders' Funds</b>			<u><u>659,353</u></u>		<u><u>3,781,897</u></u>

Approved by the board  
and signed on its behalf by:



.....  
Director