

**DEAN ENTERTAINMENTS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR**  
**YEAR ENDED 31 JULY 2003**



**WYLIE FRAME**  
Chartered Accountants & Registered Auditors  
91 Mitchell Street  
Glasgow  
G1 3LN

CONTENTS

---

	PAGES
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditors' report to the shareholders	4 to 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8 to 9
Notes to the financial statements	10 to 17

---

**OFFICERS AND PROFESSIONAL ADVISERS**

---

**THE BOARD OF DIRECTORS**

E Q Melville  
E D Melville

**COMPANY SECRETARY**

B Brodie

**REGISTERED OFFICE**

191 Nicol Street  
Kirkcaldy  
KY1 1PF

**AUDITORS**

Wylie Frame  
Chartered Accountants  
& Registered Auditors  
91 Mitchell Street  
Glasgow  
G1 3LN

**BANKERS**

Bank of Scotland  
Gordon Street  
Glasgow  
G1 3RS

**SOLICITORS**

Charles Wood and Son  
37 Kirk Wynd  
Kirkcaldy  
KY1 1EN

**THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2003**

---

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 2003.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year continued to be proprietors and operators of discotheques and public houses

The directors consider the state of the company's affairs to be satisfactory.

**RESULTS AND DIVIDENDS**

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

**DIRECTORS**

The directors who served the company during the year were as follows:

E Q Melville

E D Melville

The directors of the company do not hold any interest in the ordinary share capital of the company. The directors' interest in the ordinary share capital of the ultimate holding company, Dean Entertainments (Holdings) Limited, is disclosed in the company's financial statements.

**DIRECTORS' RESPONSIBILITIES**

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 10, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2003 *(continued)*

---

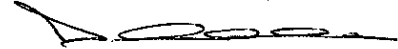
**AUDITORS**

A resolution to re-appoint Wylie Frame as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
191 Nicol Street  
Kirkcaldy  
KY1 1PF

Signed on behalf of the directors

E D Melville  
Director



Approved by the directors on 27 May 2004

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
FOR THE YEAR ENDED 31 JULY 2003**

---

We have audited the financial statements on page 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Companies Act 1985. 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)***  
**FOR THE YEAR ENDED 31 JULY 2003**

---

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



WYLIE FRAME  
Chartered Accountants  
& Registered Auditors

91 Mitchell Street  
Glasgow  
G1 3LN

27 May 2004

---

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2003**


---

	Note	2003 £	2002 £
<b>TURNOVER</b>	2	4,090,606	4,343,166
Cost of sales		1,119,821	1,238,148
<b>GROSS PROFIT</b>		2,970,785	3,105,018
Administrative expenses		3,204,872	3,389,472
Other operating income	3	(247,399)	(209,538)
<b>OPERATING PROFIT/(LOSS)</b>	4	13,312	(74,916)
Interest receivable	7	1,550	2
Interest payable and similar charges	8	(250,024)	(189,162)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(235,162)	(264,076)
Tax on loss on ordinary activities	9	(14,299)	(47,042)
<b>LOSS FOR THE FINANCIAL YEAR</b>		(220,863)	(217,034)
Balance brought forward		1,419,099	1,636,133
Balance carried forward		1,198,236	1,419,099

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.


The notes on pages 10 to 17 form part of these financial statements.



## BALANCE SHEET AS AT 31 JULY 2003

	Note	£	2003 £	2002 £
<b>FIXED ASSETS</b>				
Tangible assets	10		7,590,137	7,110,791
<b>CURRENT ASSETS</b>				
Stocks	11	76,297		89,904
Debtors	12	56,303		100,378
Cash at bank and in hand		68,137		47,928
		<u>200,737</u>		<u>238,210</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	<u>5,764,068</u>		<u>5,192,837</u>
<b>NET CURRENT LIABILITIES</b>			<u>(5,563,331)</u>	<u>(4,954,627)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,026,806</u>	<u>2,156,164</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14		<u>678,494</u>	<u>570,240</u>
			<u>1,348,312</u>	<u>1,585,924</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Deferred taxation	16		<u>115,875</u>	<u>130,174</u>
Other Provisions	17		<u>33,201</u>	<u>35,651</u>
			<u>1,199,236</u>	<u>1,420,099</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	19		<u>1,000</u>	<u>1,000</u>
Profit and loss account			<u>1,198,236</u>	<u>1,419,099</u>
<b>SHAREHOLDERS' FUNDS</b>	20		<u>1,199,236</u>	<u>1,420,099</u>

These financial statements were approved by the directors on the 27 May 2004 and are signed on their behalf by:

  
E D MELVILLE  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2003

	2003	2002
£	£	£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2,226,111</b>	<b>988,161</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	1,550	2
Interest paid	(250,024)	(189,162)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(248,474)</b>	<b>(189,160)</b>
<b>TAXATION</b>	<b>42,950</b>	<b>(42,950)</b>
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets	(1,483,723)	(4,105,948)
Receipts from sale of fixed assets	530,010	15,700
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>(953,713)</b>	<b>(4,090,248)</b>
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	<b>1,066,874</b>	<b>(3,334,197)</b>
<b>FINANCING</b>		
Repayment of bank loans	–	(199,691)
Other loans	21,831	50,000
Net inflow from other long-term creditors	108,254	365,314
<b>NET CASH INFLOW FROM FINANCING</b>	<b>130,085</b>	<b>215,623</b>
<b>INCREASE/(DECREASE) IN CASH</b>	<b>1,196,959</b>	<b>(3,118,574)</b>
<b>RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss)	13,312	(74,916)
Depreciation	310,908	196,492
Loss on disposal of fixed assets	163,459	14,042
Decrease/(increase) in stocks	13,607	(47,950)
Decrease in debtors	1,125	130,736
Increase in creditors	1,726,150	744,727
(Decrease)/increase in provisions	(2,450)	25,030
<b>Net cash inflow from operating activities</b>	<b>2,226,111</b>	<b>988,161</b>

The notes on pages 10 to 17 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2003 *(continued)*

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£	2003 £	2002 £
Increase/(decrease) in cash in the period	1,196,959		(3,118,574)
Net cash outflow from bank loans	—		199,691
Other loans	(21,831)		(50,000)
Net cash (inflow) from other long-term creditors	(108,254)		(365,314)
		1,066,874	(3,334,197)
Change in net debt		1,066,874	(3,334,197)
Net debt at 1 August 2002		(4,705,580)	(1,371,383)
Net debt at 31 July 2003		(3,638,706)	(4,705,580)

## ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2002 £	Cash flows £	At 31 Jul 2003 £
Net cash:			
Cash in hand and at bank	47,928	20,209	68,137
Overdrafts	(4,081,915)	1,176,750	(2,905,165)
	(4,033,987)	1,196,959	(2,837,028)
Debt:			
Debt due within 1 year	(101,353)	(21,831)	(123,184)
Debt due after 1 year	(570,240)	(108,254)	(678,494)
Net debt	(4,705,580)	1,066,874	(3,638,706)

The notes on pages 10 to 17 form part of these financial statements.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003**


---

**1. ACCOUNTING POLICIES****Basis of accounting**

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

**Turnover**

Turnover comprises the value of sales excluding value added tax and trade discounts.

**Fixed assets**

All fixed assets are initially recorded at cost.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and equipment	- 10% per reducing balance
Motor Vehicles	- 25% reducing balance

Freehold property is not depreciated as the directors believe any annual or accumulated depreciation would be immaterial. Any impairment will be charged to profit although annual testing carried out does not indicate that any such impairment has taken place.

**Stocks**

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

**Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

**2. TURNOVER**

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2003	2002
	£	£
United Kingdom	<u>4,090,606</u>	<u>4,343,166</u>

**3. OTHER OPERATING INCOME**

	2003	2002
	£	£
Rent receivable	21,333	36,000
Management charges receivable	45,000	5,000
Other operating income	<u>181,066</u>	<u>168,538</u>
	<u>247,399</u>	<u>209,538</u>

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003**


---

**4. OPERATING PROFIT/(LOSS)**

Operating profit/(loss) is stated after charging:

	2003	2002
	£	£
Directors' emoluments	40,000	40,000
Depreciation of owned fixed assets	310,908	196,492
Loss on disposal of fixed assets	163,459	14,042
Auditors' remuneration		
- as auditors	4,000	4,000
	<u>4,000</u>	<u>4,000</u>

**5. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of administrative staff	7	7
Number of sales staff	154	179
	<u>161</u>	<u>186</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,288,783	1,494,083
Social security costs	56,192	70,367
	<u>1,344,975</u>	<u>1,564,450</u>

**6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments receivable	<u>40,000</u>	<u>40,000</u>

**7. INTEREST RECEIVABLE**

	2003	2002
	£	£
Other interest received	<u>1,550</u>	<u>2</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2003	2002
	£	£
Interest payable on bank borrowing	231,306	65,821
Other similar charges payable	18,718	123,341
	<u>250,024</u>	<u>189,162</u>

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003**


---

**9. TAX ON LOSS ON ORDINARY ACTIVITIES****(a) Analysis of charge in the year**

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 19.67%)	—	(39,519)
Total current tax	—	(39,519)
Deferred tax:		
Decrease in deferred tax provision	(14,299)	(7,523)
Tax on loss on ordinary activities	<u>(14,299)</u>	<u>(47,042)</u>

**(b) Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 19.67%).

	2003 £	2002 £
Loss on ordinary activities before taxation	<u>(235,162)</u>	<u>(264,076)</u>
Profit/(loss) on ordinary activities by rate of tax	(61,101)	(51,944)
Expenses not deductible for tax purposes	6,750	146
Items not in profit and loss deductible for tax purposes	—	(1,178)
Capital allowances in advance of depreciation	(120,314)	(62,596)
Tax losses carried forward	130,473	76,053
Indexation allowances and rebasing	44,192	—
Total current tax (note 9(a))	<u>—</u>	<u>(39,519)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003**
**10. TANGIBLE FIXED ASSETS**

	Freehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>COST</b>				
At 1 August 2002	5,365,042	2,464,400	18,482	7,847,924
Additions	77,554	1,400,889	5,280	1,483,723
Disposals	(631,376)	(200,565)	(5,000)	(836,941)
At 31 July 2003	<u>4,811,220</u>	<u>3,664,724</u>	<u>18,762</u>	<u>8,494,706</u>
<b>DEPRECIATION</b>				
At 1 August 2002	—	729,984	7,149	737,133
Charge for the year	—	307,692	3,216	310,908
On disposals	—	(142,221)	(1,251)	(143,472)
At 31 July 2003	—	<u>895,455</u>	<u>9,114</u>	<u>904,569</u>
<b>NET BOOK VALUE</b>				
At 31 July 2003	<u>4,811,220</u>	<u>2,769,269</u>	<u>9,648</u>	<u>7,590,137</u>
At 31 July 2002	<u>5,365,042</u>	<u>1,734,416</u>	<u>11,333</u>	<u>7,110,791</u>

**11. STOCKS**

	2003 £	2002 £
Stock	<u>76,297</u>	<u>89,904</u>

**12. DEBTORS**

	2003 £	2002 £
Amounts owed by group undertakings	20,791	773
Corporation tax repayable	—	42,950
Other debtors	5,823	6,257
Prepayments and accrued income	29,689	50,398
	<u>56,303</u>	<u>100,378</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003**

**13. CREDITORS: Amounts falling due within one year**

	2003	2002
	£	£
Other loans	123,184	101,353
Bank loans and overdrafts	2,905,165	4,081,915
Trade creditors	123,009	213,509
Other creditors including taxation and social security:		
Other taxation and social security	98,664	32,145
Other creditors	756,747	760,778
Directors current accounts	1,752,299	2,299
	<u>5,759,068</u>	<u>5,191,999</u>
Accruals and deferred income	5,000	838
	<u>5,764,068</u>	<u>5,192,837</u>

The loans and bank overdraft are secured by a floating charge and standard securities over the company's freehold land and buildings.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2003	2002
	£	£
Bank loans and overdrafts	2,905,165	4,081,915
T C B Loans	123,184	101,353
	<u>3,028,349</u>	<u>4,183,268</u>

**14. CREDITORS: Amounts falling due after more than one year**

	2003	2002
	£	£
Other creditors:		
Other loans	678,494	570,240

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2003	2002
	£	£
T C B Loans	678,494	570,240



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

## 15. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2003 £	2002 £
Amounts repayable:		
In one year or less or on demand	123,184	101,353
In more than one year but not more than two years	103,056	97,324
In more than two years but not more than five years	309,169	225,000
In more than five years	266,268	247,916
	<u>801,677</u>	<u>671,593</u>

These amounts are in respect of four loans of £250,000, £250,000, £500,000 and £250,000 which are repayable by monthly instalments of capital over a ten year period commencing in 1994, 1999, 2001 and 2002 respectively. Interest is charged at 3% per annum.

## 16. DEFERRED TAXATION

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	130,174	137,697
Profit and loss account movement arising during the year	(14,299)	(7,523)
Provision carried forward	<u>115,875</u>	<u>130,174</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	115,875	130,174
	<u>115,875</u>	<u>130,174</u>

## 17. OTHER PROVISIONS

	2003 £
<b>Advanced Discount:</b>	
Balance brought forward	35,651
Movement for year	(2,450)
	<u>33,201</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

### 18. RELATED PARTY TRANSACTIONS

At 31 July 2003 the amounts due from Seafield Property Consortium and Ainslie Homes Limited were £500 (2002:£500) and £20,291 (2002: £273) respectively. These amounts are included in debtors.

During the year the company purchased goods and services in the normal course of business from Ainslie Homes Limited and Drive In at a cost of £231,252 (2002: £82,822) and £1,718 (2002: £1,179) respectively and was charged rent by EQM Properties of £nil (2002: £12,000). The company also received management income of £5,000 (2002: £5,000) from Seafield Property Consortium, £5,000 from Ainslie Homes Limited, £20,000 from Kingdom Taverns Limited, £10,000 from Dean Park Hotel and £5,000 from EQM Properties. During the year the company also sold a pub to Kingdom Taverns Limited at a loss of £2,188.

At 31 July 2003 the amounts due to Kingdom Taverns, Dean Park Hotel, Drive In and EQM Properties were £350,587 (2002:£275,811), £282 (2002:£282), £75,558 (2002:£74,780) and £211,439 (2002:£211,439) respectively. These amounts are included in creditors.

The businesses are all related due to Mr E Q Melville, a director of the company, having a controlling or material interest.

### 19. SHARE CAPITAL

#### Authorised share capital:

	2003	2002
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

#### Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Loss for the financial year	(220,863)	(217,034)
Opening shareholders' equity funds	<u>1,420,099</u>	<u>1,637,133</u>
Closing shareholders' equity funds	<u>1,199,236</u>	<u>1,420,099</u>

### 21. PENSIONS

The company has not operated, or contributed to any pension scheme on behalf of its employees.

### 22. CONTINGENCIES

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 July 2003.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003**

---

**23. CAPITAL COMMITMENTS**

The directors have confirmed that there were no capital commitments at 31 July 2003.

**24. ULTIMATE PARENT COMPANY**

In the directors opinion the company's ultimate parent company and controlling party is Dean Entertainments (Holdings) Limited which is incorporated in Scotland.