

DEAN ENTERTAINMENTS LIMITED

FINANCIAL STATEMENTS

FOR

YEAR ENDED 31 JULY 2002

Company Registration Number SC54212



WYLIE FRAME

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

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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	The Royal Bank of Scotland 23/25 Rosslyn Street Kirkcaldy KY1 3HA
SOLICITORS	Charles Wood and Son 37 Kirk Wynd Kirkcaldy KY1 1EN

**THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2002**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 2002.

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 that 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 9, 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 *(continued)*
FOR THE YEAR ENDED 31 JULY 2002

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 Q Melville
Director

Approved by the directors on 19 May 2003

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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.

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 2002 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

91 Mitchell Street
Glasgow
G1 3LN

19 May 2003


WYLIE FRAME
Chartered Accountants
& Registered Auditors

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2002**

	Note	2002 £	2001 £
TURNOVER	2	4,343,166	3,092,763
Cost of sales		<u>1,238,148</u>	<u>994,505</u>
GROSS PROFIT		3,105,018	2,098,258
Administrative expenses		3,389,472	1,999,253
Other operating income	3	<u>(209,538)</u>	<u>(158,241)</u>
OPERATING (LOSS)/PROFIT	4	(74,916)	257,246
Interest receivable	7	2	1,105
Interest payable and similar charges	8	<u>(189,162)</u>	<u>(57,815)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(264,076)	200,536
Tax on (loss)/profit on ordinary activities	9	<u>(47,042)</u>	<u>41,248</u>
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(217,034)	159,288
Balance brought forward		<u>1,636,133</u>	<u>1,476,845</u>
Balance carried forward		<u>1,419,099</u>	<u>1,636,133</u>

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 9 to 15 form part of these financial statements.

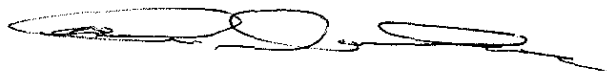
DEAN ENTERTAINMENTS LIMITED

BALANCE SHEET AS AT 31 JULY 2002

	Note	£	2002 £	2001 £
FIXED ASSETS				
Tangible assets	10		7,110,791	3,231,077
CURRENT ASSETS				
Stocks	11	89,904		41,954
Debtors	12	100,378		188,164
Cash at bank and in hand		47,928		10,250
		238,210		240,368
CREDITORS: Amounts falling due within one year	13	5,192,837		1,481,068
NET CURRENT LIABILITIES			(4,954,627)	(1,240,700)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,156,164	1,990,377
CREDITORS: Amounts falling due after more than one year	14		570,240	204,926
			1,585,924	1,785,451
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation	16		130,174	137,697
Other Provisions	17		35,651	10,621
			1,420,099	1,637,133
CAPITAL AND RESERVES				
Called-up equity share capital	19		1,000	1,000
Profit and Loss Account			1,419,099	1,636,133
SHAREHOLDERS' FUNDS	20		1,420,099	1,637,133

These financial statements were approved by the directors on the 19 May 2003 and are signed on their behalf by:

E Q MELVILLE
Director



The notes on pages 9 to 15 form part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2002**

	2002	2001
£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	988,161	280,700
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2	1,105
Interest paid	(189,162)	(57,815)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(189,160)	(56,710)
TAXATION	(42,950)	(115,217)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(4,105,948)	(435,313)
Receipts from sale of fixed assets	15,700	4,700
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(4,090,248)	(430,613)
CASH OUTFLOW BEFORE FINANCING	(3,334,197)	(321,840)
FINANCING		
Repayment of bank loans	(199,691)	(181,429)
Other loans	50,000	—
Net inflow/(outflow) from other long-term creditors	365,314	(51,353)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	215,623	(232,782)
DECREASE IN CASH	(3,118,574)	(554,622)
RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		
	2002	2001
	£	£
Operating (loss)/profit	(74,916)	257,246
Depreciation	196,492	98,213
Loss on disposal of fixed assets	14,042	2,303
(Increase)/decrease in stocks	(47,950)	13,150
Decrease/(increase) in debtors	130,736	(24,491)
Increase/(decrease) in creditors	744,727	(56,979)
Increase/(decrease) in provisions	25,030	(8,742)
Net cash inflow from operating activities	988,161	280,700

The notes on pages 9 to 15 form part of these financial statements.

CASH FLOW STATEMENT *(continued)*
FOR THE YEAR ENDED 31 JULY 2002
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	2001
	£	£
Decrease in cash in the period	(3,118,574)	(554,622)
Net cash outflow from bank loans	199,691	181,429
Other loans	(50,000)	—
Net cash (inflow) from/outflow from other long-term creditors	(365,314)	51,353
	(3,334,197)	(321,840)
Change in net debt	(3,334,197)	(321,840)
Net debt at 1 August 2001	(1,371,383)	(1,049,543)
Net debt at 31 July 2002	(4,705,580)	(1,371,383)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2001	Cash flows	At 31 Jul 2002
	£	£	£
Net cash:			
Cash in hand and at bank	10,250	37,678	47,928
Overdrafts	(925,663)	(3,156,252)	(4,081,915)
	(915,413)	(3,118,574)	(4,033,987)
Debt:			
Debt due within 1 year	(251,044)	149,691	(101,353)
Debt due after 1 year	(204,926)	(365,314)	(570,240)
	(455,970)	(215,623)	(671,593)
Net debt	(1,371,383)	(3,334,197)	(4,705,580)

The notes on pages 9 to 15 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**

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.

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

Stocks are 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:

	2002	2001
	£	£
United Kingdom	<u>4,343,166</u>	<u>3,092,763</u>

3. OTHER OPERATING INCOME

	2002	2001
	£	£
Rent receivable	36,000	—
Management charges receivable	5,000	15,000
Other operating income	<u>168,538</u>	<u>143,241</u>
	<u>209,538</u>	<u>158,241</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**
4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	2002	2001
	£	£
Depreciation	196,492	98,213
Loss on disposal of fixed assets	14,042	2,303
Auditors' remuneration		
- as auditors	4,000	3,500

5. PARTICULARS OF EMPLOYEES

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

	2002	2001
	No	No
Number of administrative staff	7	6
Number of sales staff	179	116
	186	122

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	1,494,083	861,117
Social security costs	70,367	39,352
	1,564,450	900,469

6. DIRECTORS' EMOLUMENTS

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

	2002	2001
	£	£
Emoluments receivable	40,000	50,666

7. INTEREST RECEIVABLE

	2002	2001
	£	£
Other interest received	2	1,105

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Interest payable on bank borrowing	65,821	49,799
Other similar charges payable	123,341	8,016
	189,162	57,815

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**

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

	2002 £	2001 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19.67% (2001 - 20%)	(39,519)	39,519
Over/under provision in prior year	—	(511)
Total current tax	(39,519)	39,008
Deferred tax:		
(Decrease)/increase in deferred tax provision	(7,523)	2,240
Tax on loss or profit on ordinary activities	(47,042)	41,248

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.67% (2001 - 20%).

	2002 £	2001 £
(Loss)/profit on ordinary activities before taxation	(264,076)	200,536
Profit/(loss) on ordinary activities by rate of tax	(51,944)	40,107
Expenses not deductible for tax purposes	146	1,242
Items not in profit and loss deductible for tax purposes	(1,178)	(196)
Capital allowances in advance of depreciation	(62,596)	(1,634)
Tax losses carried forward	76,053	—
Adjustment to tax charge of previous periods	—	(511)
Total current tax (note 9(a))	(39,519)	39,008

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**
10. TANGIBLE FIXED ASSETS

	Freehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 August 2001	2,426,877	1,301,617	69,693	3,798,187
Additions	2,938,165	1,162,783	5,000	4,105,948
Disposals	—	—	(56,211)	(56,211)
At 31 July 2002	5,365,042	2,464,400	18,482	7,847,924
DEPRECIATION				
At 1 August 2001	—	537,270	29,840	567,110
Charge for the year	—	192,714	3,778	196,492
On disposals	—	—	(26,469)	(26,469)
At 31 July 2002	—	729,984	7,149	737,133
NET BOOK VALUE				
At 31 July 2002	5,365,042	1,734,416	11,333	7,110,791
At 31 July 2001	2,426,877	764,347	39,853	3,231,077

11. STOCKS

	2002 £	2001 £
Stock	89,904	41,954

12. DEBTORS

	2002 £	2001 £
Amounts owed by group undertakings	773	134,245
Corporation tax repayable	42,950	—
Other debtors	6,257	600
Prepayments and accrued income	50,398	53,319
	100,378	188,164

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**
13. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	4,081,915	1,125,354
Trade creditors	213,509	137,229
Corporation tax	—	39,519
Other taxation and social security	32,145	36,303
Other creditors	864,430	142,663
Accruals and deferred income	838	—
	<u>5,192,837</u>	<u>1,481,068</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:

	2002	2001
	£	£
Bank loans and overdrafts	4,081,915	1,125,354
Tennent Caledonian Breweries - Loans	101,353	51,353
	<u>4,183,268</u>	<u>1,176,707</u>

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

	2002	2001
	£	£
Other creditors	<u>570,240</u>	<u>204,926</u>

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

	2002	2001
	£	£
Tennent Caledonian Breweries - Loans	<u>570,240</u>	<u>204,926</u>

15. CREDITORS - CAPITAL INSTRUMENTS

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

	2002	2001
	£	£
In one year or less, or on demand	101,353	51,353
Between one and two years	97,324	51,353
Between two and five years	225,000	97,324
In five years or more	247,916	56,249
	<u>671,593</u>	<u>256,279</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**

16. DEFERRED TAXATION

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	137,697	135,457
Profit and Loss Account movement arising during the year	(7,523)	2,240
Provision carried forward	<u>130,174</u>	<u>137,697</u>

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

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	130,174	137,697
	<u>130,174</u>	<u>137,697</u>

17. OTHER PROVISIONS

	2002 £
Advanced Discount:	
Balance brought forward	10,621
Movement for year	25,030
	<u>35,651</u>

18. RELATED PARTY TRANSACTIONS

At 31 July 2002 the amounts due from Kingdom Taverns, Dean Park Hotel, Drive In, EQM Properties, Seafield Property Consortium, Kingdom Shoot, Saje Limited and Ainslie Homes Limited were £nil (2001: £74,956), £nil (2001: £23,794), £nil (2001: £3,631), £nil (2001: £7,957), £500 (2001: £15,500), £nil (2001: £5,350), £nil (2001: £488), £273 (2001: £3) 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 £82,822 (2001: £18,461) and £1,179 (2001: £1,808) respectively and was charged rent by EQM Properties of £12,000 (2001: £nil). The company also charged Seafield Property Consortium management charges of £5,000 (2001: £15,000 (for three years)).

At 31 July 2002 the amounts due to Kingdom Taverns, Dean Park Hotel, Drive In, EQM Properties and Morven Hotel were £275,811 (2001: £nil), £282 (2001: £nil), £74,780 (2001: £nil), £211,439 (2001: £nil) and £11,991 (2001: £nil) 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.

During the year Mr E D Melville purchased a car from the company for £11,500, which was the value attributed to the car by an independent valuer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002**

19. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2002		2001	
	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

	2002	2001
	£	£
(Loss)/Profit for the financial year	(217,034)	159,288
Opening shareholders' equity funds	<u>1,637,133</u>	<u>1,477,845</u>
Closing shareholders' equity funds	<u>1,420,099</u>	<u>1,637,133</u>

21. PENSIONS

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

22. CONTINGENCIES

There were no contingent liabilities which should be disclosed at 31 July 2002.

23. CAPITAL COMMITMENTS

There were no capital commitments at 31 July 2002.

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.