

**SPEARMINT RHINO VENTURES (UK) LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**



# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **DIRECTORS AND ADVISERS**

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<b>Directors</b>	J Gray	(Appointed 19 January 2001)
	S P Warr	(Appointed 14 February 2003)

<b>Secretary</b>	Spearmint Rhino Secretarial Services Limited
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<b>Company number</b>	3914051
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<b>Registered office</b>	Rhino House 2 Cressex Road High Wycombe Buckinghamshire HP12 4TY
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<b>Registered auditors</b>	HLB AV Audit plc 66 Wigmore Street London W1U 2HQ
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# SPEARMINT RHINO VENTURES (UK) LIMITED

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# SPEARMINT RHINO VENTURES (UK) LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and financial statements for the year ended 31 December 2001.

### Directors

The following directors have held office since 1 January 2001:

J Gray	(Appointed 19 January 2001)
K Coplin	(Resigned 19 January 2001)
S P Warr	(Appointed 14 February 2003)

### Principal activities and review of the business

The principal activity of the group is the operation of nightclubs and restaurants.

The directors are satisfied with the results for the year which reflect the success of the launch of the Spearmint Rhino brand in the United Kingdom. The group has trading sites in London, Birmingham, Bournemouth and Harrogate, with new clubs opened in Birmingham and Sheffield in 2002. The directors look forward to the future with optimism, and plan to continue the expansion across the country when adequate finance is secured and suitable sites identified.

Due to a breakdown in the system of controls in place over the security of bar and restaurant stocks in the first quarter of the year, the group suffered a loss at one site of £105,608 due to pilferage. Tighter controls were introduced as a result and no further significant losses have occurred. In addition, due to system errors at one site, a total of £88,144 of credit card receipts were not collected in the year and have been provided as being irrecoverable. The systems currently in place prevent any such losses recurring.

### Results and dividends

The consolidated profit and loss account for the year is set out on page 6.

The director does not recommend a dividend.

### Post balance sheet events

The group has incurred refurbishment costs of £600,000 at the Bournemouth site and £1,100,000 at the new Birmingham site since the year end.

### The Euro

The directors have considered the effect of the introduction of the Euro, which will not significantly affect the company in the short term.

### Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

	Ordinary shares of £1 each	
	31 December 2001	1 January 2001
J Gray	100	1

The director does not hold beneficial interests in any of the company's subsidiaries.

### Auditors

On 2 July 2002 AV Audit Limited changed its name to HLB AV Audit plc. In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB AV Audit plc be reappointed as auditors of the company will be put to the Annual General Meeting.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

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### 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 and of 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

 18.2.2003

.....  
S P Warr  
Director  
.....

# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF SPEARMINT RHINO VENTURES (UK) LIMITED**

We have audited the financial statements of Spearmint Rhino Ventures (UK) Limited on pages 6 to 29 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's 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 members 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 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.

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, except that the scope of our work was limited as explained below.

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 of the company and the group, 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.

However the evidence available to us was limited as detailed below:

# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF SPEARMINT RHINO VENTURES (UK) LIMITED**

In respect of goodwill arising on the acquisitions of Sassy Productions Limited and Leisure Net.works Limited, both these companies were not subject to an audit prior to their acquisition by the company. No audit opinion was formed on the opening balances for the current period or on the comparative figures. Any adjustment to those figures would have a consequential significant effect on the profit for the year ended 31 December 2001, and on the calculation of goodwill of £182,577 arising on the acquisitions which is included at a net book value of £164,320 as at 31 December 2001.

In respect of amounts due to minority interest shareholders and their families of £389,093 included within creditors, as part of our normal audit procedures we requested formal confirmation of these balances from the creditors but received no replies. There were no other satisfactory procedures that we could adopt to confirm that these creditors were correctly stated. Any adjustment to those figures would have a consequential significant effect on the profit for the year ended 31 December 2001

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Going Concern**

In forming our opinion we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the uncertainty surrounding the renewal of Public Entertainment Licences, and the possible revocation of a certain Justices ON licence and Special Hours Certificate. Furthermore in forming our opinion we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the uncertainty surrounding negotiations to secure an adequate bank overdraft facility, payment of corporation tax liabilities amounting to £758,845, payment of £532,935 due to minority interest shareholders and their families, and the uncertainty surrounding payments of amounts due to group undertakings by the company of £2,457,759.

In view of the significance of these factors on the validity of the going concern basis for the preparation of the financial statements we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

### **Fundamental uncertainty**

The VAT liability of supplies made is under consideration by HM Customs & Excise, specifically in relation to the exemptions applied to certain income and expenses. If the treatment adopted in these financial statements is not accepted by HM Customs & Excise then turnover would decrease by £751,538, administrative expenses would decrease by £308,511, tax on the profit for the year would decrease by £131,830, profit after tax would decrease by £311,197 and creditors due within one year would increase by £311,197. In view of the significance of this factor on the financial statements we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF SPEARMINT RHINO VENTURES (UK) LIMITED

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### Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning opening balances and goodwill on acquisition of subsidiaries in the year and minority interest shareholder creditors in our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our audit work in relation to opening balances and goodwill on acquisition of subsidiaries in the year and minority interest shareholder creditors we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and proper accounting records have not been maintained.

HLB AV Audit plc

*HLBAVAudit plc*

Registered Auditor

*18/2/03*  
.....

66 Wigmore Street  
London  
W1U 2HQ



# SPEARMINT RHINO VENTURES (UK) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 as restated £
<b>Turnover</b>	<b>2</b>		
Continuing operations		9,939,041	970,748
Acquisitions		285,546	-
		<u>10,224,587</u>	<u>970,748</u>
Cost of sales		(3,335,205)	(272,497)
<b>Gross profit</b>		<u>6,889,382</u>	<u>698,251</u>
Administrative expenses		(4,552,267)	(1,187,942)
		<u></u>	<u></u>
Continuing operations		2,442,855	(489,691)
Acquisitions		(105,740)	-
		<u></u>	<u></u>
<b>Operating profit/(loss)</b>	<b>4</b>	2,337,115	(489,691)
Other interest receivable and similar income		13,542	340
Interest payable and similar charges	<b>5</b>	(52,247)	(435)
		<u></u>	<u></u>
<b>Profit/(loss) on ordinary activities before taxation</b>		2,298,410	(489,786)
Tax on profit/(loss) on ordinary activities	<b>6</b>	(768,482)	(34,877)
		<u></u>	<u></u>
<b>Profit/(loss) on ordinary activities after taxation</b>		1,529,928	(524,663)
Minority interests share of losses	<b>19</b>	16,855	-
		<u></u>	<u></u>
<b>Profit/(loss) for the financial year</b>	<b>7</b>	<u>1,546,783</u>	<u>(524,663)</u>

# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001**


	2001 £	2000 £ as restated
Profit/(loss) for the financial year	1,529,928	(524,663)
Prior year adjustment	(117,113)	-
Total gains and losses recognised since last financial statements	<u>1,412,815</u>	<u>(524,663)</u>

# SPEARMINT RHINO VENTURES (UK) LIMITED

## BALANCE SHEETS AS AT 31 DECEMBER 2001

Notes	Group		Company	
	2001	2000 as restated	2001	2000 as restated
	£	£	£	£
<b>Fixed assets</b>				
Intangible assets	164,320	-	-	-
Tangible assets	3,377,933	1,175,959	405,034	-
Investments	-	-	92	2
	<u>3,542,253</u>	<u>1,175,959</u>	<u>405,126</u>	<u>2</u>
<b>Current assets</b>				
Stocks	77,686	46,045	-	-
Debtors	1,291,625	379,713	2,605,449	58,315
Cash at bank and in hand	413,589	239,575	-	-
	<u>1,782,900</u>	<u>665,333</u>	<u>2,605,449</u>	<u>58,315</u>
<b>Creditors: amounts falling due within one year</b>	(3,549,475)	(2,354,244)	(251,236)	(17,495)
<b>Net current liabilities</b>	<u>(1,766,575)</u>	<u>(1,688,911)</u>	<u>2,354,213</u>	<u>40,820</u>
<b>Total assets less current liabilities</b>	<u>1,775,678</u>	<u>(512,952)</u>	<u>2,759,339</u>	<u>40,822</u>
<b>Creditors: amounts falling due after more than one year</b>	(816,942)	-	(2,716,197)	-
<b>Provisions for liabilities and charges</b>	(44,952)	(11,710)	-	-
	<u>913,784</u>	<u>(524,662)</u>	<u>43,142</u>	<u>40,822</u>
<b>Capital and reserves</b>				
Called up share capital	100	1	100	1
Profit and loss account	1,022,120	(524,663)	43,042	40,821
<b>Shareholders' funds - equity interests</b>	<u>1,022,220</u>	<u>(524,662)</u>	<u>43,142</u>	<u>40,822</u>
<b>Minority interests share of liabilities</b>	(108,436)	-	-	-
	<u>913,784</u>	<u>(524,662)</u>	<u>43,142</u>	<u>40,822</u>

The financial statements were approved by the board on .....

 - 18.2.2003

S P Warr  
Director

# SPEARMINT RHINO VENTURES (UK) LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001		2000	
	£	£	£	£
<b>Net cash inflow from operating activities</b>		1,061,680		705,545
<b>Returns on investments and servicing of finance</b>				
Interest received	13,542		340	
Interest paid	(52,247)		(435)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(38,705)		(95)
<b>Taxation</b>		438		-
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(1,725,909)		(1,372,203)	
<b>Net cash outflow for capital expenditure</b>		(1,725,909)		(1,372,203)
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertakings (net of cash acquired)	(4,270)		-	
<b>Net cash outflow for acquisitions and disposals</b>		(4,270)		-
<b>Net cash outflow before management of liquid resources and financing</b>		(706,766)		(666,753)
<b>Financing</b>				
Issue of ordinary share capital	99		1	
New long term bank loan	667,439		-	
Other new short term loans	115,505		906,327	
Capital element of finance lease contracts	(71,430)		-	
<b>Net cash inflow from financing</b>		711,613		906,328
<b>Increase in cash in the year</b>		4,847		239,575

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

1	Reconciliation of operating profit/(loss) to net cash inflow from operating activities	2001	2000
		£	£
	Operating profit/(loss)	2,337,115	(489,691)
	Depreciation of tangible assets	421,904	196,242
	Amortisation of intangible assets	18,257	-
	Increase in stocks	(15,314)	(46,045)
	Increase in debtors	(894,401)	(379,713)
	(Decrease)/Increase in creditors within one year	(805,881)	1,424,752
	<b>Net cash inflow from operating activities</b>	<b>1,061,680</b>	<b>705,545</b>

2	Analysis of net debt	1 January 2001	Cash flow	Other non-cash changes	31 December 2001
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	239,575	174,014	-	413,589
	Bank overdrafts	-	(169,167)	-	(169,167)
		<u>239,575</u>	<u>4,847</u>	<u>-</u>	<u>244,422</u>
	Finance leases	-	71,430	(289,138)	(217,708)
	Debts falling due within one year	(906,327)	(115,505)	-	(1,021,832)
	Debts falling due after one year	-	(667,439)	-	(667,439)
		<u>(906,327)</u>	<u>(711,514)</u>	<u>(289,138)</u>	<u>(1,906,979)</u>
	<b>Net debt</b>	<b>(666,752)</b>	<b>(706,667)</b>	<b>(289,138)</b>	<b>(1,662,557)</b>

3	Reconciliation of net cash flow to movement in net debt	2001	2000
		£	£
	Increase in cash in the year	4,847	239,575
	Cash inflow from increase in debt	(711,514)	(906,327)
		<u>(706,667)</u>	<u>(666,752)</u>
	Change in net debt resulting from cash flows	(706,667)	(666,752)
	New finance lease	(289,138)	-
		<u>(995,805)</u>	<u>(666,752)</u>
	<b>Movement in net debt in the year</b>	<b>(995,805)</b>	<b>(666,752)</b>
	Opening net debt	(666,752)	-
	<b>Closing net debt</b>	<b>(1,662,557)</b>	<b>(666,752)</b>

# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001**

### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis, the validity of which depends upon the successful annual renewal of Public Entertainment Licences of the clubs owned by the group. At present the Public Entertainment Licences expire between January and September 2003. In addition, a local licensing authority has applied for revocation of the Justices ON licence and Special Hours Certificate at one site. The directors have appointed solicitors to appeal against these actions by the licensing authorities. The directors are confident that a successful outcome will be achieved. The trading location is still operating during the appeal process as it is permitted to do, pending the outcome of the appeal.

The financial statements do not include any adjustments that would result from a failure to secure renewal of the various Public Entertainment Licences or from a failure to successfully appeal against the possible revocation of the Justices ON licence and Special Hours Certificate.

The group meets its day to day working capital requirements from cash generated by its trading activities. The directors have prepared profit and cash flow forecasts for the period ended 31 October 2003 that support this statement, and demonstrates significant positive cash flows arising from trading activities.

At the present time the group is negotiating a suitable overdraft facility with its bankers. The directors are of the opinion that the group can meet the majority of its liabilities as they fall due with the exception of corporation tax liabilities of £758,845 and amounts due to minority interest shareholders and their families of £532,935 as at 31 December 2001. In order to settle these amounts the group depends upon the approval of an adequate overdraft facility as detailed above.

However even if the proposed bank facilities are approved the margin of facilities over requirements is not large and there can be no certainty in relation to these matters. However the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a failure to secure an adequate bank overdraft facility.

In the year ended 31 December 2001 cash generated of £2,457,759 by certain subsidiaries was loaned to the company, to help support the company and other group undertakings. This balance is not expected to be repaid until 1 January 2004 at the earliest and has been classified as a creditor falling due after one year. Further loans have been made to the company since 1 January 2002. Even if adequate bank facilities are approved the company may be required to make a significant repayment after 1 January 2003 of the amounts due to group undertakings that may be in excess of the facilities available. There can be no certainty in relation to these matters. However the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a requirement to repay any significant amounts due to group undertakings before 1 January 2004, or in excess of the facilities available.

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable accounting standards.

#### **1.3 Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2001. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 1 Accounting policies

(continued)

#### 1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Rhino Chip vouchers can be purchased by customers for tipping dancers, waitresses, bar and restaurant staff. Unredeemed vouchers, though still legally claimable, are immediately credited to turnover in the profit and loss account.

#### 1.5 Goodwill

Goodwill arising on consolidation is capitalised and amortised through the profit and loss account over a period of 10 years or less in line with the directors view of its useful economic life, subject to impairment review.

#### 1.6 Tangible fixed assets and depreciation

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

Land and buildings Leasehold	Over the term of the lease/20% straight line basis
Fixtures, fittings & equipment	20% straight line basis
Motor vehicles	25% straight line basis

No depreciation is provided in respect of freehold land.

#### 1.7 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.9 Stock

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

#### 1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

#### 1.11 Deferred taxation

Where material, deferred tax is provided in full, as required by FRS 19 - Deferred Tax, in respect of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is not discounted.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 1 Accounting policies

(continued)

#### 1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Cost of sales and net operating expenses

The total figures for continuing operations in 2001 include the following amounts relating to acquisitions: cost of sales £61,867 and administrative expenses £329,419.

### 4 Operating profit/(loss)

2001

2000

£

£

Operating profit/(loss) is stated after charging:

Depreciation of intangible assets

18,257

-

Depreciation of tangible assets

421,904

196,242

Loss on foreign exchange transactions

51,903

-

Operating lease rentals

192,565

163,646

Auditors' remuneration (company £18,000 (2000: £5,000))

170,000

50,000

Due to a breakdown in the system of controls in place over the security of bar and restaurant stocks at one site in the first quarter of the year, the group suffered a loss of £105,608 due to pilferage. Tighter controls were introduced as a result and no further significant losses have occurred. In addition, due to system errors at one site, a total of £88,144 of credit card receipts were not collected in the year and have been provided as being irrecoverable. The systems currently in place are designed to prevent any such losses recurring.

### 5 Interest payable

2001

2000

£

£

On bank loans and overdrafts

28,793

435

On other loans wholly repayable within 5 years

20,716

-

Lease finance charges

2,643

-

On overdue tax

95

-

52,247

435



# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

6	Taxation	2001 £	2000 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	735,240	23,167
	<b>Current tax charge</b>	<u>735,240</u>	<u>23,167</u>
	<b>Deferred tax</b>		
	Deferred tax charge/credit current year	33,242	11,710
		<u>768,482</u>	<u>34,877</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit/(loss) on ordinary activities before taxation	<u>2,298,410</u>	<u>(489,786)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2000 : 30.00%)	<u>689,523</u>	<u>(146,936)</u>
	Effects of:		
	Non deductible expenses	121,928	37,667
	Depreciation	118,119	58,872
	Capital allowances	(77,030)	(57,342)
	Tax losses utilised	(117,300)	134,241
	Other tax adjustments	-	(3,335)
		<u>45,717</u>	<u>170,103</u>
	<b>Current tax charge</b>	<u>735,240</u>	<u>23,167</u>

### 7 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2001 £	2000 £
Holding company's profit for the financial year	<u>2,221</u>	<u>40,821</u>

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 8 Intangible fixed assets

#### Group

Goodwill

£

#### Cost

At 1 January 2001

-

Additions

182,577

At 31 December 2001

182,577

#### Amortisation

At 1 January 2001

-

Charge for the year

18,257

At 31 December 2001

18,257

#### Net book value

At 31 December 2001

164,320

At 31 December 2000

-

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 9 Tangible fixed assets Group

	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2001	893,156	479,045	-	1,372,201
Additions	1,637,860	737,121	248,897	2,623,878
At 31 December 2001	2,531,016	1,216,166	248,897	3,996,079
<b>Depreciation</b>				
At 1 January 2001	166,562	29,680	-	196,242
Charge for the year	172,421	220,298	29,185	421,904
At 31 December 2001	338,983	249,978	29,185	618,146
<b>Net book value</b>				
At 31 December 2001	2,192,033	966,188	219,712	3,377,933
At 31 December 2000	726,594	449,365	-	1,175,959

Included in freehold land and buildings is non-depreciable land of £350,000, as estimated by the director.

Included in the net book value of land and buildings leasehold is £793,280 relating to a long term lease.

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Net book values</b>			
At 31 December 2001	73,912	202,146	276,058
<b>Depreciation charge for the year</b>			
31 December 2001	8,288	27,356	35,644

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 9 Tangible fixed assets (continued)

#### Company

	Land and buildings Leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2001	-	-	-	-
Additions	208,695	56,590	159,352	424,637
	<u>208,695</u>	<u>56,590</u>	<u>159,352</u>	<u>424,637</u>
At 31 December 2001	208,695	56,590	159,352	424,637
	<u>208,695</u>	<u>56,590</u>	<u>159,352</u>	<u>424,637</u>
<b>Depreciation</b>				
At 1 January 2001	-	-	-	-
Charge for the year	-	4,501	15,102	19,603
	<u>-</u>	<u>4,501</u>	<u>15,102</u>	<u>19,603</u>
At 31 December 2001	-	4,501	15,102	19,603
	<u>-</u>	<u>4,501</u>	<u>15,102</u>	<u>19,603</u>
<b>Net book value</b>				
At 31 December 2001	208,695	52,089	144,250	405,034
	<u>208,695</u>	<u>52,089</u>	<u>144,250</u>	<u>405,034</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
<b>Net book values</b>	
At 31 December 2001	144,250
	<u>144,250</u>
<b>Depreciation charge for the year</b>	
31 December 2001	15,102
	<u>15,102</u>

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 10 Fixed asset investments

#### Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2001	2
Additions	90
	<hr/>
At 31 December 2001	92
	<hr/>
At 31 December 2000	2
	<hr/>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Spearmint Rhino Companies (Birmingham) Limited	England and Wales	Ordinary	100
Spearmint Rhino Companies (Europe) Limited	England and Wales	Ordinary	100
Sassy Productions Limited	England and Wales	Ordinary	51
Italian Restaurants Limited*	England and Wales	Ordinary	51
Leisure Net.works Limited	England and Wales	Ordinary	70
Spearmint Rhino Secretarial Services Limited	England and Wales	Ordinary	100
Spearmint Rhino (HW) Limited	England and Wales	Ordinary	100
Acra Systems Limited	England and Wales	Ordinary	100
Benton Solutions Limited	England and Wales	Ordinary	100
Darkway Developments Limited	England and Wales	Ordinary	100
Gransys Technology Limited	England and Wales	Ordinary	100
Tadsys Services Limited	England and Wales	Ordinary	100
Josys Enterprises Limited	England and Wales	Ordinary	100
Sonfield Developments Limited	England and Wales	Ordinary	100

# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001**

The principal activity of these undertakings for the last relevant financial year was as follows:

	<b>Principal activity</b>
Spearmint Rhino Companies (Birmingham) Limited	Nightclubs and restaurants
Spearmint Rhino Companies (Europe) Limited	Nightclubs and restaurants
Sassy Productions Limited	Nightclubs and restaurants
Italian Restaurants Limited*	Dormant
Leisure Net.works Limited	Nightclubs and restaurants
Spearmint Rhino Secretarial Services Limited	Company secretarial services
Spearmint Rhino (HW) Limited	Dormant
Acra Systems Limited	Dormant
Benton Solutions Limited	Dormant
Darkway Developments Limited	Dormant
Gransys Technology Limited	Dormant
Tadsys Services Limited	Dormant
Josys Enterprises Limited	Dormant
Sonfield Developments Limited	Dormant

\* - 100% subsidiary of Sassy Productions Limited.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 11 Purchase of subsidiary undertakings

On 12 October 2001, the company acquired 70% of the issued share capital of Leisure Net.works Limited for a consideration of £70. This transaction has been accounted for under the acquisition method of accounting. The amount of goodwill arising is being amortised through the consolidated profit and loss account over its useful economic life.

For the period 1 February 2001 to 11 October 2001 the company had sales of £258,975 and an operating loss of £145,451. For the year to 31 January 2001 Leisure Net.works Limited had sales of £179,016 and an operating loss of £81,985; loss before and after tax was £81,985.

The following table sets out the book values (which equated to the fair value) of the identifiable assets and liabilities acquired:

	<u>Fair value</u> <u>to group</u> £
Fixed assets	412,382
Stock	11,327
Debtors	17,511
Cash	13,952
Creditors and provisions	(680,017)
Net liabilities	(224,845)
Minority interests	67,453
Net liabilities acquired	(157,392)
Goodwill arising on acquisition	157,462
Purchase consideration	£70
<u>Satisfied by:</u>	£
Cash	70

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

On 6 July 2001, the company acquired 51% of the issued share capital of Sassy Productions Limited (and its 100% subsidiary Italian Restaurants Limited) for a consideration of £2. This transaction has been accounted for under the acquisition method of accounting. The amount of goodwill arising is being amortised through the consolidated profit and loss account over its useful economic life.

For the period 1 June 2001 to 5 July 2001 the company had sales of £202,590 and an operating loss of £59,536. For the year to 31 May 2001 Sassy Productions Limited had sales of £305,970 and an operating profit of £15,352; profit before tax was £5,429 and the tax charge was £438.

The following table sets out the book values and fair values of the identifiable assets and liabilities acquired:

	<u>Book</u> <u>Value</u>	<u>Fair value</u> <u>adjustments</u>	<u>Fair value</u> <u>to group</u>
	£	£	£
Fixed assets	49,307	147,192	196,499
Stock	5,000		5,000
Cash	657		657
Creditors and provisions	(251,397)		(251,397)
Net liabilities	65	147,192	(49,241)
Minority interests			24,128
Net liabilities acquired			(25,113)
Goodwill arising on acquisition			25,115
Purchase consideration			£2
Satisfied by:			£
Cash			2

The fair value adjustment of £147,192 reflects an adjustment to the value of fixed assets acquired to the fair value to the group as estimated by the directors.

### 12 Stocks

	<u>Group</u> <u>2001</u>	<u>2000</u>	<u>Company</u> <u>2001</u>	<u>2000</u>
	£	£	£	£
Finished goods and goods for resale	77,686	46,045	-	-



# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 13 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Trade debtors	5,888	4,974	-	-
Amounts owed by group undertakings	-	-	326,662	-
Other debtors	1,103,105	317,096	1,162,913	-
Prepayments and accrued income	182,632	57,643	1,115,874	58,315
	<u>1,291,625</u>	<u>379,713</u>	<u>2,605,449</u>	<u>58,315</u>

Amounts falling due after more than one year and included in the debtors above are:

	2001	2000	2001	2000
	£	£	£	£
Other debtors	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 14 Creditors : amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Bank loans and overdrafts	169,167	-	9,846	-
Net obligations under finance lease and hire purchase contracts	68,205	-	31,497	-
Trade creditors	956,141	1,017,092	142,128	-
Corporation tax	758,845	23,167	39,005	17,495
Other taxes and social security costs	349,711	136,816	-	-
Directors current accounts (see note 23)	36,832	906,327	-	-
Other creditors	985,000	-	16	-
Accruals and deferred income	225,574	270,842	28,744	-
	<u>3,549,475</u>	<u>2,354,244</u>	<u>251,236</u>	<u>17,495</u>

The bank overdraft is secured by fixed and floating charges over all the assets of the group, both present and future.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 15 Creditors : amounts falling due after more than one year

	Group 2001 £	2000 £	Company 2001 £	2000 £
Bank loans	667,439	-	184,957	-
Net obligations under finance leases and hire purchase agreements	149,503	-	73,481	-
Amounts owed to group undertakings	-	-	2,457,759	-
	<u>816,942</u>	<u>-</u>	<u>2,716,197</u>	<u>-</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	(368,902)	-	194,803	-
Included in current liabilities	1,036,341	-	(9,846)	-
	<u>667,439</u>	<u>-</u>	<u>184,957</u>	<u>-</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	175,128	-	10,284	-
In more than two years but not more than five years	351,192	-	33,554	-
In more than five years	141,119	-	141,119	-
	<u></u>	<u></u>	<u></u>	<u></u>
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	88,224	-	41,563	-
Repayable between one and five years	166,946	-	83,697	-
	<u>255,170</u>	<u>-</u>	<u>125,260</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(37,462)	-	(20,282)	-
	<u>217,708</u>	<u>-</u>	<u>104,978</u>	<u>-</u>
Included in liabilities falling due within one year	(68,205)	-	(31,497)	-
	<u>149,503</u>	<u>-</u>	<u>73,481</u>	<u>-</u>

A bank loan of £482,482 is repayable in monthly instalments of £15,810 by September 2005. Interest is charged at 2% per annum above the bank's base rate. The loan is secured by a legal charge over the leasehold property and by a guarantee from ABM Worldwide Inc., limited to the outstanding balance on the loan. J Gray is a director of ABM Worldwide Inc.

A bank loan for £184,957 is repayable in monthly instalments of £1,512 by 1 August 2015. Interest is charged at 9% per annum.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 16 Provisions for liabilities and charges Group

	Deferred taxation £
Balance at 1 January 2001	11,710
Profit and loss account	33,242
Balance at 31 December 2001	<u>44,952</u>

Deferred taxation provided in the financial statements is as follows:

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Accelerated capital allowances	44,952	48,801	-	-
Tax losses available	-	(37,091)	-	-
	<u>44,952</u>	<u>11,710</u>	<u>-</u>	<u>-</u>

### 17 Share capital

	2001	2000
	£	£
<b>Authorised</b>		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £ 1 each	<u>100</u>	<u>1</u>

On 2 April 2001, 99 shares were issued for cash at par to extend the capital base of the company.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 18 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 1 January 2001	(407,550)
Prior year adjustment	(117,113)
	<hr/>
Balance at 1 January 2001 as restated	(524,663)
Retained profit for the year	1,546,783
	<hr/>
Balance at 31 December 2001	1,022,120
	<hr/>

In the period ended 31 December 2000 rent was understated by £71,678 as was accruals, leasehold costs were understated by £68,741 as was accruals and provision for taxation was overstated by £21,497. Other interest charges was also overstated by £19,304. The loss for the period ended 31 December 2000 was understated by £99,618 before taxation and £117,113 after taxation. These errors have now been corrected as prior year adjustments.

#### Company

	Profit and loss account £
Balance at 1 January 2001	(19,304)
Prior year adjustment	60,125
	<hr/>
Balance at 1 January 2001 as restated	40,821
Retained profit for the year	2,221
	<hr/>
Balance at 31 December 2001	43,042
	<hr/>

During the year the company accrued income for management charges not yet raised on some of its subsidiary companies. These management charges are based on 9% of turnover and are optional charges that can be levied depending on the overall performance of the companies involved. Spearmint Rhino Companies (Birmingham) Limited started trading on 17 June 2000 and management charges of £58,316 therefore relate to the year ended 31 December 2000. A prior year adjustment has been made.

Last year's financial statements included a 51% investment in R.K.W. Limited along with the related loan to purchase the shares of £2,170,102 and the interest charged on this loan of £19,304. Subsequent to the approval of the 2000 financial statements the directors now consider that these shares were not beneficially held by Spearmint Rhino Ventures (UK) Limited. A prior year adjustment has now been made to remove the investment and the related loan interest paid.

The overall net tax effect of the above is a charge of £17,495, which has been included in the financial statements as a prior year adjustment.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

19 Minority interests	2001 £	2000 £
Balance at 1 January 2001	-	-
Minority interests of subsidiaries acquired in the year	(91,581)	-
Minority interests share of losses in year	(16,855)	-
	<hr/>	<hr/>
Balance at 31 December 2001	(108,436)	-
	<hr/>	<hr/>

The balance as at 31 December 2001 represents the minority interests share of liabilities.

20 Reconciliation of movements in shareholders' funds Group	2001 £	2000 £
Profit/(Loss) for the financial year	1,546,783	(524,663)
Proceeds from issue of shares	99	1
	<hr/>	<hr/>
Net addition to/(depletion in) shareholders' funds	1,546,882	(524,662)
Opening shareholders' funds	(524,662)	-
	<hr/>	<hr/>
Closing shareholders' funds	1,022,220	(524,662)
	<hr/>	<hr/>

Opening shareholders' funds were originally £407,849 before deducting prior year adjustments of £117,113.

Company	2001 £	2000 £
Profit for the financial year	2,221	40,821
Proceeds from issue of shares	99	1
	<hr/>	<hr/>
Net addition to shareholders' funds	2,320	40,822
Opening shareholders' funds	40,822	-
	<hr/>	<hr/>
Closing shareholders' funds	43,142	40,822
	<hr/>	<hr/>

Opening shareholders' funds were originally (£19,303) before adding prior year adjustments of £60,125.

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 21 Contingent liabilities

The VAT liability of supplies made is under consideration by HM Customs & Excise, specifically in relation to the exemptions applied to certain income and expenditure. If the treatment adopted in these financial statements is not accepted by HM Customs & Excise then a liability of about £450,000 would crystallise. The directors are confident that the group meets all the relevant criteria to apply partial exemption and that no such liability will arise. On this basis no provision has been made in the financial statements.

Rhino Chip vouchers can be purchased by customers for tipping dancers, waitresses, bar and restaurant staff. Unredeemed vouchers, though still legally claimable, are immediately credited to turnover in the profit and loss account. The directors consider that any vouchers not utilised on the acquisition date are unlikely to be used in the future. The total credit to turnover on unredeemed vouchers as at 31 December 2001 is £75,000. No provision has been made in the financial statements.

### 22 Financial commitments

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Expiry date:				
Within one year	-	-	23,500	-
In over five years	205,000	17,500	-	-
	<u>205,000</u>	<u>17,500</u>	<u>23,500</u>	<u>-</u>

### 23 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows:

	Amount outstanding		Maximum
	2001	2000	in year
	£	£	£
John Gray	385,788	-	385,788
	<u>385,788</u>	<u>-</u>	<u>385,788</u>

This loan would be in contravention of S330 of the Companies Act 1985 were it not for loans amounting to £422,620 made available by John Gray to other group companies as at 31 December 2001 (see note 14).

# SPEARMINT RHINO VENTURES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 24 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2001 Number	2000 Number
Cost of sales	151	89
Administration	52	-
	<u>203</u>	<u>89</u>

#### Employment costs

	£	£
Wages and salaries	1,958,509	201,353
Social security costs	165,903	6,022
	<u>2,124,412</u>	<u>207,375</u>

### 25 Control

The ultimate controlling party is John Gray.

# **SPEARMINT RHINO VENTURES (UK) LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001**

### **26 Related party transactions**

#### **Group**

##### **Spearmint Rhino Companies (Birmingham) Limited**

Included in administrative expenses is rent of £9,085 (2000 - £46,885) paid to Cherokee Leisure plc, a company in which John Gray is a director.

On 24 August 2001, the company secured the transfer of a long term lease on the business premises in Birmingham from Cherokee Leisure plc. The consideration for this transfer was £762,000 which was in part financed by a £670,000 loan from Barclays Bank plc.

ABM Worldwide Inc., has given a guarantee, limited to £625,726, at 31 December 2001 to provide additional security on the bank loan at that date. John Gray controls ABM Worldwide Inc.

##### **Spearmint Rhino Companies (Europe) Limited**

ABM Worldwide Inc., has given a financial guarantee to the landlords of the trading site of Spearmint Rhino Companies (Europe) Limited.

##### **Spearmint Rhino Ventures (UK) Limited**

At the year end an amount of £38,810 was due from Spearmint Rhino Moscow, a company controlled by John Gray.

Included in the company balance sheet is a debtor of £385,788 due from the director John Gray. In the consolidated balance sheet £36,832 is due to him and is included in creditors within one year (2000 £906,327).

Included in debtors is £277,251 due from a shareholder, Stuart Cadwell. The loan is interest free and repayable on demand.

Included in debtors is £617,645 due from RKW Limited, a company controlled by John Gray. The loan is interest free and repayable on demand.

Included in creditors is £532,935 due to various minority interest shareholders and their families.

#### **Company**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared and are publicly available.

At the balance sheet date Sassy Productions Limited and Leisure Net.Works Limited owed the company £75,535 and £161,126 respectively. Both companies are subsidiaries of Spearmint Rhino Ventures (UK) Limited.

### **27 Post Balance Sheet Events**

#### **Group**

##### **Spearmint Rhino Companies (Europe) Limited**

On 19 February 2002, the company purchased a Cessna 421C aircraft for £235,000. Finance of £160,000 was provided by Capital Bank plc and was secured on the aircraft.

##### **Spearmint Rhino (HW) Limited**

On 1 April 2002, the company purchased a freehold property for £900,000.

The group has also continued to expand its trading activities, acquiring additional leasehold sites in Birmingham and Sheffield. The group has incurred refurbishment costs of £600,000 at the Bournemouth site and £1,100,000 at the new Birmingham site since the year end.