

Deep-Sea Leisure PLC

**Directors' report and financial
statements**

Registered number SC 135353

31 October 2002

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Company information

Directors

A J Ritchie	Resigned	02/08/2002
EMP Denny		
JM Flinn		
RT Golding		
SD Earley		
J. de Ramon-Laca	Appointed	26/09/2002
A Barrachina	Appointed	26/09/2002

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Solicitors

Shepherd & Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Secretary and registered office

Richard K Williamson
Deep Sea Leisure PLC
North Queensferry
Fife
KY11 1JR

Nominated advisor

Hawkpoint Partners
4 Great St Helens
London
EC3 6HA

Nominated broker

Bell Lawrie White
7 Drumsheugh Gardens
Edinburgh
EH3 7QH

Chairman's Statement

These results are for the eight month period ended 31 October 2002, reflecting the change of year end following the acquisition by Net-Ein of a majority interest in the Company. The Company has retained its quotation on the AIM market and announced its interim results for the six months ended 31 August 2002 in December 2002.

For the eight month period ended 31 October 2002, the Company made a pre-tax profit, before exceptional items, of £1.138 million on turnover of £4.544 million.

For reference only, and to allow a degree of comparability using the unaudited figures, the 8 month figures for the equivalent period for 2001 were a pre tax profit, before exceptional items, of £0.878 million on turnover of £4.646 million.

The exceptional items referred to above amounted to £0.252 million and consisted of advisers' fees incurred by the Company during Net-Ein's acquisition of a majority interest in Deep Sea Leisure. Pre-tax profit, after exceptional items, was £0.886 million.

As previously reported, the strengthened management team, including the arrival of Stuart Earley as Managing Director, has concentrated on improving the operational performance of the Company. The strategy has focused on increasing the per capita spend per visitor whilst avoiding chasing visitor numbers through financial incentives. Over the year this strategy has delivered an increased spend, with the effect that pre tax profit, before exceptional items, has increased by £0.260 million, compared to the unaudited figures for the equivalent period in 2001, despite a drop in overall visitor numbers.

The Board will continue to seek further improvement in the trading performance achieved during the current financial year. New revenue streams are currently being explored and will be rolled out in the coming year. Financial controls and management reporting systems have been enhanced, in particular providing valuable data for the management to seek to improve margins.

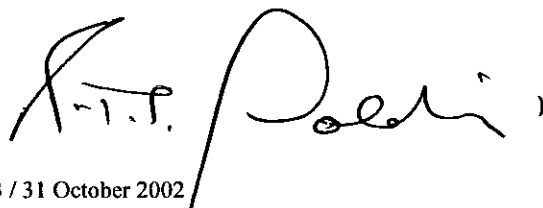
Operational performance during the eight month period has been encouraging. Overall per capita spend has increased by 10% (from £6.84 to £7.55) which, combined with a reduction in costs, has delivered a good result for the financial period. Notwithstanding this improvement, the Board has sought to identify how to further enhance the organic growth of the business, for example, the Company's marketing activities have been overhauled with a number of new cost effective marketing initiatives already in place for the 2003 season. A number of other schemes are being considered or are due for implementation shortly which should improve the customer experience and increase customer loyalty. The approach being adopted should enable us to better meet our customers' needs which, in turn, should help us to achieve better overall returns.

As stated in the Company's interim results, the financial results of Deep Sea Leisure are now incorporated into those of the Aspro Group. The Board considered it appropriate to undertake a thorough review of operational and accounting matters, resulting in a revision to the accounting treatment of the £3 million European Regional Development Grant which assisted the construction of Blue Planet. The net impact on the financial results of this change in policy is detailed in note 17 of the accounts.

The current financial year ending 31 October 2003 has started positively. The Board intends to invest in the cost effective development of new attractions at Blue Planet and Deep Sea World that will increase the overall appeal of the two aquariums and help deliver enhanced financial performance. At Blue Planet, one of the largest and most attractive otter enclosures in the UK has been created. Deep Sea World is benefiting from new outdoor attractions which improve the customer experience and generate additional income.

In the current difficult economic environment, the strong cashflow of the Company, together with the expertise and resources of the Aspro Group, means that Deep Sea Leisure is well placed to take advantage of opportunities that may arise in the UK leisure sector.

Richard Golding
Chairman



Directors' report

The directors present their report and audited financial statements for the eight months ended 31 October 2002.

Principal activities

The principal activity of the company during the year was the operation of two undersea marine exhibits as visitor attractions.

Business review

A review of the business of the company for the year is given in the Chairman's statement.

Dividends and transfer to reserves

The results for the year are shown in the attached financial statements. The directors recommend that no dividend is paid and the retained profit for the year of £ 539,000 is transferred to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

A J Ritchie	Resigned	02/08/2002
EMP Denny		
JM Flinn		
RT Golding		
SD Earley		
J. de Ramon-Laca	Appointed	26/09/2002
A Barrachina	Appointed	26/09/2002

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

	At end of year Number	At start of year or date of appointment Number
EMP Denny	100,000	100,000

Payment policies

It is the policy of the company to agree terms of payment when orders for goods and services are placed and to adhere to these arrangements when making payments. The number of days billings from suppliers outstanding at the end of the financial year is 31 days.

Directors' report *(continued)*

Corporate Governance

The Company is not required to report on compliance with the Combined Code on Corporate Governance. However, the Board of Directors fully support the principles contained in the Combined Code and has sought to generally comply with the provisions of the Code in so far as it is appropriate given the company's size and structure.

The main features of the company's corporate governance procedures are:

- The Board meets quarterly and brings independent judgement to bear. It approves budgets, long term plans and significant contracts.
- The majority of the Board are non-executive directors who take an active role in Board matters concerning strategy, performance, resources, key appointments and standard of conduct. Two of the non-executive directors also serve on the audit committee.
- The Board of directors recognise their overall responsibility for the company's systems of internal control and for monitoring effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority. The company produces performance information reports on a monthly basis. These reports together with annual budgets and forecasts enable the Board to monitor operational performance and the cash position each month.

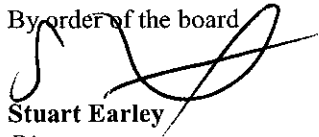
Auditors

During the course of the period, the previous auditors, KPMG, resigned and PricewaterhouseCoopers LLP were appointed auditors by the directors. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

Annual General Meeting

The annual general meeting of the company will be held at Blue Planet Aquarium on 23rd April 2003. The notice convening the annual general meeting is enclosed with this annual report.

By order of the board



Stuart Earley
Director

4th March 2003

North Queensferry
Fife
KY11 1JR

2003

Statement of 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 profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently, except as noted in the accounting policies note;
- 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 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. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may occur to the financial statements if they are presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Independent report of the auditors to the members of Deep-Sea Leisure PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 or the Listing Rules regarding directors' remuneration and transactions with the company 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. The other information comprises only the directors' report and the chairman's statement.

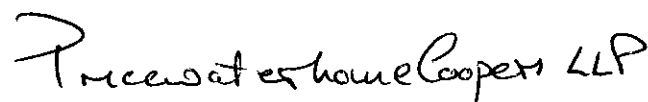
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2002 and of its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

4 March 2003

Profit and loss account
for the eight months ended 31st October 2002

	<i>Note</i>	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000 Restated *
Turnover		4,544	6,029
Cost of sales		(635)	(862)
		<hr/>	<hr/>
Gross profit		3,909	5,167
Administrative expenses		(2,566)	(3,913)
Costs incurred during takeover	2	(252)	-
		<hr/>	<hr/>
Operating profit	3 – 5	1,091	1,254
Interest payable and similar charges	6	(205)	(514)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		886	740
Tax on profit on ordinary activities	7	(347)	(248)
		<hr/>	<hr/>
Profit retained for the financial year for equity shareholders		539	492
		<hr/> <hr/>	<hr/> <hr/>
Earnings per ordinary share	8	2.81p	2.56p
		<hr/> <hr/>	<hr/> <hr/>
Earnings per ordinary share before exceptional items	8	4.11p	2.56p
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements on reserves is given in Note 17.

Turnover and operating profit arise wholly from continuing operations.

There are no recognised gains or losses other than the profit for the financial year.


* As explained in the accounting policies at Note 1 of the accounts.

Balance sheet
 at 31 October 2002

	Note	31 October 2002		28 February 2002	
		£000	£000	£000	£000
Fixed assets				* restated	
Tangible assets	9		17,910		18,251
Current assets					
Stocks	10	379		365	
Debtors	11	112		64	
Cash at bank and in hand		386		62	
			<u>877</u>	<u>491</u>	
Creditors: amounts falling due within one year	12	<u>(1,963)</u>		<u>(2,202)</u>	
Net current liabilities			<u>(1,086)</u>		<u>(1,711)</u>
Total assets less current liabilities			16,824		16,540
Creditors: amounts falling due after more than one year	13		(3,938)		(4,447)
Accruals and deferred income	14		(2,931)		(3,023)
Provision for liabilities and charges	15		(1,405)		(1,059)
Net assets			<u>8,550</u>		<u>8,011</u>
Capital and reserves					
Called up share capital	16		960		960
Share premium account	17		5,902		5,902
Capital redemption reserve	17		1,003		1,003
Profit and loss account	17		685		146
Shareholders' funds – equity			<u>8,550</u>		<u>8,011</u>

* As explained in the accounting policies of Note 1 to the accounts.

These financial statements were approved by the board of directors on 4 March 2003 and were signed on its behalf by:



Stuart Earley

Director

4th March 2003

Cash flow statement
for the period ended 31st October 2002

Reconciliation of operating profit to net cash inflow from operating activities	<i>Note</i>	8 Months to 31 October 2002	12 Months to 28 February 2002
		£000	£000
Operating profit		1,091	1,254
Depreciation charges		522	832
(Increase)/decrease in stocks		(14)	1
Increase in debtors		(48)	(25)
Decrease increase in creditors		(262)	(757)
Grant released		(92)	(149)
		<hr/>	<hr/>
Net cash inflow from operating activities		1,197	1,156
		<hr/>	<hr/>
Cash flow statement			
Net cash inflow from operating activities		1,197	1,156
Returns on investments and servicing of finance	20	(205)	(514)
Capital expenditure	20	(181)	(157)
		<hr/>	<hr/>
Cash inflow before financing		811	485
Financing	20	(487)	(1,720)
		<hr/>	<hr/>
Increase/(decrease) in cash		324	(1,235)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt (note 21)			
Increase/decrease in cash		324	(1,235)
Cash inflow from movement in net debt		487	1,720
		<hr/>	<hr/>
Change in net debt resulting from cash flows		811	485
		<hr/>	<hr/>
Movement in net debt in the year		811	485
Net debt at beginning of year		(5,546)	(6,031)
		<hr/>	<hr/>
Net debt at end of year		(4,735)	(5,546)
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Statement of accounting policies

The following accounting policies have been applied consistently, except for the prior year adjustment stated below, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Prior year adjustment

The financial results of Deep-Sea Leisure are now incorporated into those of the Aspro Group. Accordingly and following the appointment of new auditors to the Company, the Board considered it appropriate to undertake a thorough review of operational and accounting matters. As part of this review, the Board has considered the appropriateness of its accounting policies, in particular, the accounting treatment of the European Regional Development Grant which amounted to £3m and assisted the construction of Blue Planet. Previous treatment was to release the grant to profit and loss over the economic life of the grant which was deemed to expire in March 2003. The Board however now consider that releasing the grant over the useful economic life of the assets acquired would be more appropriate. The Board considered this matter carefully as any change in accounting treatment has a significant effect on both the balance sheet and future profits. The accounts reflect this change of policy with the grant being released partly over 20 and also over 50 years. Details of the effect of this policy change are stated in note 17.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Buildings	-	50 years
Fixed plant	-	20 years
Plant and machinery	-	4, 5 or 10 years
Motor vehicles	-	4 years
Office equipment	-	5 years
Computer equipment	-	3 years

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. The discount rate applied is based upon the company's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant unit.

Leasehold land is amortised over the remaining period of the leasehold.

No depreciation is provided on freehold land.

Leases and hire purchase contracts

Assets acquired under finance leases are included in fixed assets and the capital element of leasing commitments is shown as obligations under finance leases in creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a consistent periodic rate of charge on the remaining balance outstanding at each accounting period.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

Grants

The European Regional Development Fund Grant amounting to £2,953,000 is amortised in part over 50 years (£1,654,000) and in part over 20 years (£1,299,000). This reflects the treatment of the grant as a capital grant which is amortised over the useful economic life of the assets.

The Scottish Tourist Board grant amounting to £270,000 is amortised in part over 50 years (£197,000) and in part over 20 years (£73,000). This reflects the treatment of the grant as a capital grant which is amortised over the useful economic life of the assets.

Other grants are amortised over a period of ten years.

Interest

Interest charges incurred in the construction of new aquaria are capitalised up to the point of opening for business. Otherwise interest is charged against profit as it accrues.

Pre-opening expenses

Revenue expenditure incurred on new aquaria prior to opening for business is charged against profit in the year of opening.

Stocks

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

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover is derived in the United Kingdom.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision without discounting for deferred taxation is made for all timing differences as they arise.

2 Exceptional items

	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
Defence costs associated with Net-Ein takeover	252	-
	252	-

The exceptional items of £252,000 referred to above primarily consist of advisors fees incurred by the Company during the acquisition of a majority interest in Deep Sea Leisure PLC by Net -Ein.

Notes *(continued)*

3 Operating profit

<i>This is stated after charging/(crediting):</i>	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
Depreciation Owned Assets:		
Buildings	142	212
Land	9	14
Plant	345	588
Assets held under finance leases	8	18
	504	832
Auditors' remuneration - audit	30	30
- non-audit	5	16
Operating leases - hire of plant and machinery	16	16
- other	6	7
Deferred grants release	(92)	(132)
	504	832

4 Remuneration of directors

	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
Directors' emoluments	85	50
Company contributions to money purchase pension schemes	-	-
Amounts paid to third parties in respect of directors' services	59	144
Compensation for loss of office	-	50
	144	244

The emoluments of the highest paid director were £79,278 (2002: £34,000), and company pension contributions of £5,510 (2002: Nil) were made to a personal pension plan on his behalf.

The amounts paid to third parties comprise:

- fee of £16,740 to Ritchie & Co for the services of AJ Ritchie.
- fee of £20,167 to Floatrich Limited for the services of JM Flinn.
- Fee of £22,062 to EMP Denny for the services of M Denny.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	8 Months to 31 October 2002	12 Months to 28 February 2002
Management and administration	11	8
Operations	186	168
	197	176
	197	176

Included in the above numbers are 159 (2002: 138) part-time employees.

Which equate to 49.8 whole time equivalents (2002: 43.2)

The aggregate payroll costs of these persons were as follows:

Wages and salaries	958	1,279
Social security costs	57	79
Pension costs	6	4
	1,021	1,362
	1,021	1,362

6 Interest payable and similar charges

	8 Months to 31 October 2002	12 Months to 28 February 2002
	£000	£000
On bank loans and overdrafts	205	512
On other loans	-	1
Finance charges payable in respect of finance leases and hire purchase contracts	-	1
	205	514
	205	514

Notes *(continued)*

7 Taxation

	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
<i>Analysis of charge in year:</i>		
Deferred taxation - current year	347	248
	<u> </u>	<u> </u>
	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	886	740
	<u> </u>	<u> </u>
Current tax at 30% (2001: 30%)	266	222
<i>Effects of:</i>		
Expenses not deductible for tax purposes	97	58
Depreciation for period in excess of capital allowances	15	12
Utilisation of tax losses	(378)	(91)
Other timing differences	-	(201)
	<u> </u>	<u> </u>
Total current tax charge	-	-
	<u> </u>	<u> </u>

Factors that may affect future charges

Corporation tax losses of approximately £3.7 million are available for carry forward against future trading profits.

Notes (continued)

8 Earnings per ordinary share

	8 Months to 31 October 2002 £000	12 Months to 3 March 2002 £000 *restated
<i>Earnings are calculated as follows:</i>		
Profit after tax	539	492
Exceptional expenses after tax	251	-
	790	492
Earnings before exceptional items	790	492
Basic earnings per share	2.81p	2.56p
Earnings per share before exceptional items	4.11p	2.56p

The calculation of earnings per share is based on the number of ordinary shares which were in issue during the year of 19,199,783 shares (2002 – 19,199,783) calculated in accordance with Financial Reporting Standard 14. Headline earnings per share are calculated in accordance with the formula published by the Institute of Investment Management and Research. Adjusted earnings per share are shown to provide shareholders with additional information on continuing operations before exceptional items.

9 Tangible fixed assets

	Land £000	Buildings £000	Plant £000	Motor vehicles £000	Total £000
Cost					
At beginning of period	2,235	10,608	8,932	16	21,791
Additions	6	-	175	-	181
Disposals	-	-	-	(16)	(16)
	2,241	10,608	9,106	-	21,956
At end of period	2,241	10,608	9,106	-	21,956
Depreciation					
At beginning of period	41	702	2,781	16	3,540
Charge for period	-	142	380	-	522
On disposals	-	-	-	(16)	(16)
	50	844	3,153	-	4,046
At end of period	50	844	3,153	-	4,046
Net book value					
At end of period	2,192	9,764	5,952	-	17,910
At beginning of period	2,194	9,906	6,151	-	18,251

Included in the net book value of land is £1,996,000 (2002: £1,998,000), which is subject to a lease of 150 years and freehold land of £196,000 (2002: £196,000).

Net book value of buildings include freehold buildings of £3,303,000 (2002: £3,352,000), leasehold buildings of £6,461,000 (2002: £6,553,000). Depreciation charged in the year on freehold buildings was £49,000 (2002: £74,000) and £93,000 (2002: £139,000) on leasehold buildings.

Included in the total net book value of plant is £11,000 (2002: £19,000) in respect of assets held under finance leases which expire in November 2002. Depreciation charged for the period on these assets was £8,000 (2002: £18,000).

Notes *(continued)*

10 Stocks

	31 October 2002 £000	28 February 2002 £000
Fish stocks	239	223
Goods for resale	140	142
	379	365
	379	365

11 Debtors

	31 October 2002 £000	28 February 2002 £000
Trade debtors	25	18
Other debtors	6	4
Prepayments	81	42
	112	64
	112	64

12 Creditors: amounts falling due within one year

	31 October 2002 £000	28 February 2002 £000
Bank loans (note 13)	950	900
Loan stock (note 13)	218	218
Other loan (note 13)	15	36
Obligations under finance leases and hire purchase contracts	-	7
Trade creditors	294	316
Other creditors	240	185
Accruals	246	540
	1,963	2,202
	1,963	2,202

13 Creditors: amounts falling due after more than one year

	31 October 2002 £000	28 February 2002 £000
Bank loans	3,800	4,300
Other loan	138	147
Obligations under finance leases and hire purchase contracts	-	-
	3,938	4,447
	3,938	4,447

Analysis of debt:

	31 October 2002 £000	28 February 2002 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	1,183	1,161
Between one and two years	1,000	1,027
Between two and five years	2,938	2,372
Over 5 years	-	1,048
	5,121	5,608
	5,121	5,608

Notes *(continued)*

The bank loans are from the Bank of Scotland and are secured on the land at Battery Quarry, North Queensferry, Fife and land at Cheshire Oaks, Ellesmere Port, Cheshire, and by a bond and floating charge over all assets of the company.

The interest is charged on £4.750 million loan at a rate of 2% to 3% above the aggregate of LIBOR and the Bank's Additional Cost Rate. The loan is repayable in quarterly instalments commencing on 31 May 2001.

£1 million of the loan above is repayable on the recovery of the Surplus Land Proceeds with the balance (if any) being repayable by four equal quarterly instalments commencing 31 May 2006.

The loan stock is secured by a second fixed charge over the land at North Queensferry and a floating charge over all assets. There are three classes of loan stock in issue as follows:

'A' - £178,316 at 3% above Barclays Bank PLC's base rate;

'B' - £24,059 at 11.27%; and

'C' - £15,625 at 3% above Barclays Bank PLC's base rate.

14 Accruals and deferred income

<i>Grants</i>	31 October 2002 £000	28 February (restated) 2002 £000
At beginning of period	3,023	3,155
Amount credited to profit and loss account	(92)	(132)
At end of year	2,931	3,023

Grants have been received from the Scottish Tourist Board totalling £250,000. If annual profits of the North Queensferry operation, as defined in the offer of grant, exceed £500,000 in any financial year commencing after 31 December 1996 and ending on 30 June 2003, an amount equivalent to 5% of the excess is repayable.

Grants have also been received from the European Regional Development Fund totalling £2,953,000 for the economic development of the Cheshire Oaks Aquarium. The Secretary of State has reserved the right in certain circumstances to withhold any or all of the payments or require part or all of the grants to be repaid at any time prior to June 2003.

Grants have been restated as a prior year adjustment see note 17.

Notes *(continued)*

15 Deferred taxation

	31 October 2002 £000	28 February 2002 £000
<i>Accelerated capital allowances</i>		
At 28 February 2002	1,058	992
Prior year adjustment	-	(182)
At 28 February 2002 restated	<u>1,058</u>	<u>811</u>
Transfer to profit and loss	347	248
At 31 October 2002	<u><u>1,405</u></u>	<u><u>1,058</u></u>

The elements of deferred taxation are as follows

	31 October 2002 £000	28 February 2002 £000
Difference between accumulated depreciation and capital allowances	2,512	2,793
Other timing differences	-	(318)
Tax losses	<u>(1,107)</u>	<u>(1,417)</u>
	<u><u>1,405</u></u>	<u><u>1,058</u></u>

16 Called up share capital

	31 October 2002 £000	28 February 2002 £000
<i>Authorised Equity</i>		
41,200,000 Ordinary shares of 5p each (2002: 41,200,000)	<u>2,060</u>	<u>2,060</u>
<i>Allotted, called up and fully paid Equity</i>		
19,199,783 Ordinary shares of 5p each (2002: 19,199,783)	<u>960</u>	<u>960</u>

Notes (continued)

17 Share premium and reserves

	Share Premium Account £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of period	5,902	1,003	2,192
Prior year adjustment	-	-	(2,046)
	5,902	1,003	146
As restated	5,902	1,003	146
Retained profit for period	-	-	539
	5,902	1,003	685
At end of period	5,902	1,003	685

The prior year adjustment relates to the change to the period of release of government grants, from the useful economic life of the grant to the useful economic life of the assets for which the grant was provided.

This change in release period has resulted in an increase to operating expenses of £341,000 (28th February 2002: £516,000) and a decreased tax charge of £140,000 (28th February 2002: £66,000).

18 Reconciliation of movements in shareholders' funds

	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
At beginning of period as previously reported	8,011	9,565
Prior year adjustment	-	(2,046)
	8,011	7,519
As restated	8,011	7,519
Profit for the period	539	492
	8,550	8,011
Closing shareholders' funds	8,550	8,011

Notes (continued)

19 Commitments

- (i) Capital commitments existed at the end of the financial year for which no provision has been made as follows:

	31 October 2002 £000	28 February 2002 £000
Contracted	-	154
	<u> </u>	<u> </u>

- (ii) At the end of the period the company had annual commitments under non-cancellable operating leases as follows:

	31 October 2002		28 February 2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	1	-	5
In the second to fifth years inclusive	7	-	7	-
Over five years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20 Gross cash flows

	8 Months to 31 October 2002 £000	12 Months to 28 February 2002 £000
<i>Returns on investments and servicing of finance</i>		
Interest paid	(205)	(514)
	<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance	(205)	(514)
	<u> </u>	<u> </u>
<i>Capital expenditure</i>		
Payments to acquire tangible fixed assets	(181)	(157)
	<u> </u>	<u> </u>
Net cash outflow from capital expenditure	(181)	(157)
	<u> </u>	<u> </u>
<i>Financing</i>		
Net loans (repaid)/received	(480)	(1,702)
Capital element of finance leases and hire purchase rentals	(7)	(18)
	<u> </u>	<u> </u>
Net cash outflow from financing	(487)	(1,720)
	<u> </u>	<u> </u>

Notes *(continued)*

21 Analysis of changes in net debt

	At beginning of period £000	Cash flows £000	Other non-cash changes £000	At end of period £000
Cash at bank and in hand	62	324	-	386
Debt due within one year	(1,154)	(29)	-	(1,183)
Debt due after one year	(4,447)	509	-	(3,938)
Finance lease and hire purchase contracts	(7)	6	-	(1)
	(5,608)	486	-	(5,122)
	(5,546)	810	-	(4,736)

22 Financial instruments

The company's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the company's operations. The company has in addition trade debtors and trade creditors, which arise directly from its operation and are not considered in this note.

The main risks arising from the company's financial instruments are interest rate risks and liquidity risks. The board reviews and agrees policies for managing each of these risks, which are summarised below.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The majority of the company's borrowings are at floating rates of interest based on LIBOR.

The weighted average interest rate on the floating interest rate borrowings was 5.8% (2002:7.55%) for a weighted average period of 4.25 years (2002:4.88 years).

The company has no financial assets, other than short-term debtors and cash at bank.

Liquidity risk

The company's policy is to maintain a balance between continuity of funding and flexibility through loans secured on its assets from banks and loan stocks held by third parties sufficient to enable it to meet its commitments and to make further investments.

The maturity profile of the group's financial liabilities is disclosed in note 13.

A comparison of book values and fair values of the company's financial assets and liabilities at 31 October 2002 was performed and identified no material differences between the two amounts.

Notice of meeting

Notice is hereby given that the Eighth Annual General Meeting of Deep-Sea Leisure PLC will be held at Blue Planet Aquarium on 23rd April 2003 to transact the following business:

- 1 To receive and consider the directors' report and financial statements for the 8 months ended 31 October 2002.
- 2 To elect EMP Denny as a director of the company.
- 3 To elect J. de Ramon-Laca as a director of the company.
- 4 To elect A Barrachina as a director of the company.
- 5 To authorise the directors to fix the remuneration of the auditors.

By order of the board

Richard Golding
Director

Any member of the company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company and the appointment of such proxy does not preclude members from subsequently attending and voting in person.