SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 3, 2002   Commission File No. 0-25858

DAVE & BUSTER'S, INC.

(Exact name of registrant as specified in its charter)

Missouri	43-1532756
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
2481 Manana Drive, Dallas, Texas	75220
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number,
Including area code (214) 357-9588

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, $0.01 par value

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No
   ---   ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of registrant at April 17, 2002 was $121,999,320.

The number of shares of common stock outstanding at April 17, 2002 was 13,266,641 shares.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (DOLLARS IN THOUSANDS)

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates and judgements, including those that relate to depreciable lives, goodwill and debt covenants. The estimates and judgements made by management are based on historical data and on various other factors believed to be reasonable under the circumstances.

Management believes the following critical accounting policies, among others, affect its more significant judgements and estimates used in the preparation of its consolidated financial statements.

Depreciable lives - expenditures for new facilities and those which substantially increase the useful lives of the property, including interest during construction, are capitalized along with equipment purchases at cost. These costs are depreciated over various methods based on an estimate of the depreciable life, resulting in a charge to the operating results of the Company. The actual results may differ from these estimates under different assumptions or conditions. The depreciable lives are as follows:

Property and Equipment	
Games	5 years
Buildings	40 years
Furniture, fixtures and equipment	5 to 10 years
Leasehold and building improvements	Shorter of 20 years or lease life
Intangible Assets	
Trademarks	Over statutory lives
Lease Rights	Over remaining lease term

Goodwill - is being amortized over 30 years. Whenever there is an indication of impairment, the Company evaluates the recoverability of goodwill using future undiscounted cash flows. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations, however an impairment charge was not considered necessary under FAS 121 as of February 3, 2002.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets ("Statements"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new standards on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statements is expected to result in an increase in income before tax of $349 ($.03 per diluted share) in 2002 as a result of nonamortization of existing goodwill. During the first quarter 2002, the Company will perform the required impairment test of goodwill as of February 3, 2002. Based on current analysis, the Company will record a one-time expense to "Cumulative effect of a change in accounting principle" of $7,096 ($.55 per diluted share), upon the adoption of the new standard. If FAS 142 had been adopted as of the beginning of the 1999 fiscal year, the amortization of expense would have had the following impact on prior period operations:

	Fiscal Year Ended		
	January 30, 2000	February 4, 2001	February 3, 2002
Reported Net Income	$ 5,205	$ 12,245	$ 7,578
Amortization expense recorded for the period	349	349	349
Adjusted Net Income	$ 5,554	$ 12,954	$ 7,927
Reported net income per share (diluted)	$ 0.39	$ 0.94	$ 0.58
Goodwill amortization per share (diluted)	0.03	0.03	.03
Adjusted net income per share (diluted)	$ 0.42	$ 0.97	$ 0.61

Debt Covenants - of the Company's facility agreement require compliance with certain financial covenants including a minimum consolidated tangible net worth level, maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures. The Company was in compliance with the covenants for the fiscal year ended February 3, 2002. The Company believes the results of operations for the fiscal year ending February 2, 2003 and thereafter would enable us to remain in compliance with the existing covenants absent any material negative event affecting the U.S. economy as a whole. However, the Company's expectations of future operating results and continued compliance with the debt covenants cannot be assured and our lenders' actions are not controllable by us. If the projections of future operating results are not achieved and the debt is placed in default, the Company would experience a material adverse impact on our reported financial position and results of operations.

FISCAL 2001 COMPARED TO FISCAL 2000

Total revenues increased to $358,009 for fiscal 2001 from $332,303 for fiscal 2000, an increase of $25,706 or 7.7%. New stores opened in fiscal 2001 increased revenues by $28,431. Revenues from comparable stores decreased by 2.8% in fiscal 2001. The decrease in comparable stores revenues is primarily attributed to the attack on New York and Washington, D.C. on September 11th resulting in a decline in corporate events of 15.4%. Total revenues from licensing agreements were $537.

Costs of revenues increased to $66,939 for fiscal 2001 from $61,547 for fiscal 2000, an increase of $5,392 or 8.8%. The increase was principally attributed to opening four new stores during the year. As a percentage of revenues, cost of revenues were up .2% to 18.7% for fiscal 2001 versus 18.5% in fiscal 2000 due to freight costs and higher amusement costs associated with redemption, offset by lower food costs.

Operating payroll and benefits increased to $110,478 for fiscal 2001 from $101,143 for fiscal 2000, an increase of $9,335 or 9.2%. As a percentage of revenue, operating payroll and benefits were 30.9% in fiscal 2001 up .5% from 30.4% in fiscal 2000 due to higher store fixed labor and benefits.

Other store operating expenses increased to $106,971 for fiscal 2001 from $90,581 for fiscal 2000, an increase of $16,390 or 18.1%. As a percentage of revenues, other store operating expenses were 29.9% in fiscal 2001 as compared to 27.3% in fiscal 2000. The increase in other store operating expenses is due to increases in utilities, marketing and occupancy costs.

General and administrative expenses increased to $20,653 in fiscal 2001 from $20,019 for fiscal 2000, an increase of $634 or 3.2%. As a percentage of revenues, general and administrative expenses for fiscal 2001 were 5.8% and 6.0% for fiscal 2000.

Depreciation and amortization expense increased $2,977 to $28,693 in fiscal 2001 from $25,716 in fiscal 2000. As a percentage of revenues, depreciation and amortization increased to 8.0% from 7.7% for the comparable period due to new store openings.

Preopening costs decreased to $4,578 for fiscal 2001 from $5,331 for fiscal 2000, a decrease of $753 or 14.1%. As a percentage of revenues, preopening costs were 1.3% for fiscal 2001 as compared to 1.6% for fiscal 2000. This decrease is due to timing of store openings and only one store scheduled to open in fiscal 2002.

Interest expense-net decreased to $7,820 for fiscal 2001 from $8,712 for fiscal 2000. The decrease was due to lower interest rates in fiscal year 2001.

The effective tax rate for fiscal 2001 was 36.2% as compared to 36.4% for fiscal 2000 and was the result of a lower effective state tax rate.

FISCAL 2000 COMPARED TO FISCAL 1999

Total revenues increased to $332,303 for fiscal 2000 from $247,134 for fiscal 1999, an increase of $85,169 or 34%. New stores opened in fiscal 2000 and in fiscal 1999 accounted for 91% of the increase. Revenues at comparable stores increased 3.6% for fiscal 2000. Increases in revenues were also attributable to a 2% overall price increase and a higher average guest check. Total revenues for fiscal 2000 from licensing agreements were $966.

Cost of revenues increased to $61,547 for fiscal 2000 from $45,720 for fiscal 1999, an increase of $15,827 or 35%. The increase was principally attributable to the 34% increase in revenues. As a percentage of revenues, cost of revenues were the same for fiscal 2000 and fiscal 1999 at 18.5%.

Operating payroll and benefits increased to $101,143 for fiscal 2000 from $76,242 for fiscal 1999, an increase of $24,901 or 33%. As a percentage of revenue, operating payroll and benefits decreased to 30.4% in fiscal 2000 from 30.9% in fiscal 1999 due to lower fixed labor costs, taxes and benefits offset by higher variable labor costs.

Other store operating expenses increased to $90,581 for fiscal 2000 from $65,292 for fiscal 1999, an increase of $25,289 or 39%. As a percentage of revenues, other store operating expenses were 27.3% of revenues in fiscal 2000 as compared to 26.4% of revenues in fiscal 1999. Other store operating expenses were higher due to higher marketing costs associated with the Company's 2000 marketing campaign.

General and administrative expenses increased to $20,019 for fiscal 2000 from $14,988 for fiscal 1999, an increase of $5,031 or 34%. The increase over the prior comparable period resulted from increased administrative payroll and related costs for new personnel, and additional costs associated with the Company's future growth plans. As a percentage of revenues, general and administrative expenses decreased to 6.0% in fiscal year 2000 from 6.1% in fiscal year 1999.

Depreciation and amortization expense increased to $25,716 for fiscal 2000 from $19,884 for fiscal 1999, an increase of $5,832 or 29%. The increase was attributable to new stores opened in fiscal 2000 and in fiscal 1999. As a percentage of revenues, depreciation and amortization decreased to 7.7% from 8.0% for the comparable prior period.

Preopening costs decreased to $5,331 for fiscal 2000 from $6,053 for fiscal 1999, a decrease of $722 or 12%. As a percentage of revenues, preopening costs were 1.6% for fiscal 2000 as compared to 2.4% for fiscal 1999. This decrease was due to the lesser number of new stores opened in 2000 compared to 1999.

Interest expense - net increased to $8,712 for fiscal 2000 from $3,339 for fiscal 1999. The increase was due to a higher average debt balance and higher interest rates in 2000 versus 1999.

The effective tax rate for fiscal year 2000 was 36.4% as compared to 36.7% for fiscal year 1999 and was the result of a lower effective state tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased to $49,626 in 2001 compared to $36,678 in 2000 and $24,940 in 1999. Operating cash flows in 2001 increased primarily due to the timing of accounts payable disbursements. The increase in 2000 was attributable to improvement in profitability and timing of operational receipts and payments.

Cash used in investing activities was $30,877 in 2001 and $53,574 in 2000 compared to $73,798 in 1999. All investing expenditures are related to opening of new stores and normal recurring maintenance at previously existing stores.

Financing activities provided cash of $47,440 in 1999 and $16,984 in 2000 compared to a use of cash of $17,407 in 2001. Net use of cash by financing activities in 2001 was directly attributed to repayment of long-term debt of $41,648 offset by borrowings from long-term debt of $24,060. Net cash provided by financing activities in 2000 and 1999 was due to borrowings under long-term debt exceeding any repayments during each year.

The Company has a $110,000 senior secured revolving credit and term loan facility. The facility includes a five-year revolver and five and seven-year term debt. The facility agreement calls for quarterly payments of principal on the term debt through maturity. Borrowing under the facility bears interest at a floating rate based on LIBOR (1.77% at February 3, 2002) or, at the Company's option, the bank's prime rate (4.75% at February 3, 2002) plus, in each case, a margin based upon financial performance. The facility is secured by all assets of the Company. The facility has certain financial covenants including a minimum consolidated tangible net worth level, a maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures. On November 19, 2001, the Company amended the facility to allow proceeds from sale/leaseback transactions to be applied to both the revolving credit and the term loans for a limited period. At February 3, 2002, $5,208 was available under this facility.

The Company has entered into an agreement that expires in 2007, to change a portion of its variable rate debt to fixed-rate debt. Notional amounts aggregating $51,255 are fixed at 5.44%. The Company is exposed to credit losses for periodic settlements of amounts due under the agreements if LIBOR decreases. A charge of $858 to interest expense was incurred in fiscal 2001 under the agreement.

The market risks associated with the agreements are mitigated because increased interest payments under the agreement resulting from reductions in LIBOR are effectively offset by a reduction in interest expense under the debt obligation.

The Company plans to open one new store during the fiscal year ended February 2, 2003. The preopening and construction costs of the new store will be provided from internal cash flow. Subsequent to the fiscal year ending February 2, 2003, the Company intends to open up to three stores per year, if adequate external financing can be secured to supplement internally generated cash flow.

SALE/LEASEBACK TRANSACTIONS

During the year ended February 3, 2002, the Company completed the sale/leaseback of two stores (Atlanta and Houston) and the corporate headquarters in Dallas. Cash proceeds of $18,474 were received along with $5,150 in twenty year interest bearing notes receivable at 7-7.5%. The locations were sold to non-affiliated entities. No revenue or profit was recorded at the time of the transaction.

Upon execution of the sale/leaseback transactions, property costs of $27,360 and accumulated depreciation of $3,832 were removed from the Company's books resulting in a loss of $272 which was recognized in 2001 and a gain of $713 on one facility being amortized over the term of the operating lease.

Future operating lease obligations under the lease agreements are as follows: $2,917 in 2002, $2,957 in 2003, $2,997 in 2004, $3,037 in 2005, $3,078 in 2006 and $50,976 thereafter. Future minimum note payments and interest income associated with the sale/leasebacks at Houston and Atlanta are as follows: $488 in 2002, $488 in 2003, $488 in 2004, $488 in 2005 and $7,782 thereafter.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following tables set forth the Company's contractual obligations and commercial commitments (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	1 Year or less	2-3 Years	4-5 Years	After 5 Years
Long-term debt	$ 90,396	$ 5,500	$ 19,700	$ 54,653	$ 10,543
Operating leases	344,633	19,474	37,614	36,566	250,979
Operating leases under sale/leaseback transactions	65,964	2,917	5,953	6,115	50,979

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---- --------
- Total $
500,993 $
27,891 $
63,267 $
97,334 $
312,501

Amount of
Commitment
Expiration
Per Period

Other
Commercial
1 Year 2-3
4-5 After
5
Commitments
Total or
less Years
Years
Years ----
------- --
--- ------
- ----- --
--- -----
Letters of
Credit $
940 $ 940
$ -- $ --
$ --

QUARTERLY FLUCTUATIONS, SEASONALITY, AND INFLATION

As a result of the substantial revenues associated with each new Complex, the timing of new Complex openings will result in significant fluctuations in quarterly results. The Company expects seasonality to be a factor in the operation or results of its business in the future due to expected lower third quarter revenues due to the fall season, and expects higher fourth quarter revenues associated with the year-end holidays. The effects of supplier price increases are not expected to be material. The Company believes low inflation rates in its market areas have contributed to stable food and labor costs in recent years. However, there is no assurance that low inflation rates will continue or that the Federal minimum wage rate will not increase.

MARKET RISK

The Company's market risk exposure relates to changes in the general level of interest rates. The Company's earnings are affected by changes in interest rates due to the impact those changes have on its interest expense from variable-rate debt. The Company's agreement to fix a portion of its variable-rate debt mitigates this exposure.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Annual Report are not based on historical facts but are "forward-looking statements" that are based on numerous assumptions made as of the date of this report. Forward looking statements are generally identified by the words "believes", "expects", "intends", "anticipates", "scheduled", and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Dave & Buster's, Inc. to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; competition; availability of capital; locations and terms of sites for Complex development; quality of management; changes in, or the failure to comply with, government regulations; and other risks indicated in this filing.

PART IV

Item 14 EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dave & Buster's, Inc.
a Missouri corporation

By: /s/ W.C. Hammett, Jr.

W. C. Hammett, Jr.,
Vice President, Chief
Financial Officer

Date: June 14, 2002

CONSOLIDATED BALANCE SHEETS
DAVE & BUSTER'S, INC.

(in thousands, except share and per share amounts)	FEBRUARY 3, 2002	FEBRUARY 4, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 4,521	$ 3,179
Inventories	25,964	21,758
Prepaid expenses	1,442	3,663
Other current assets	2,445	1,787
Total current assets	34,372	30,387
Property and equipment, net (Note 2)	258,302	260,467
Goodwill, net of accumulated amortization of $2,612 and $2,263	7,096	7,445
Other assets	9,364	5,576
Total assets	$ 309,134	$ 303,875
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term debt (Note 4)	$ 5,500	$ 4,124
Accounts payable	15,991	9,291
Accrued liabilities (Note 3)	11,085	7,050
Income taxes payable (Note 5)	5,054	3,567
Deferred		

income taxes (Note 5) 1,220 1,229 --------- --------- Total current liabilities 38,850 25,261 Deferred income taxes (Note 5) 8,143 7,667 Other liabilities 7,099 4,700 Long-term debt, less current installments (Note 4) 84,896 103,860 Commitments and contingencies (Notes 4, 6 and 11) Stockholders' equity (Note 7): Preferred stock, 10,000,000 authorized; none issued -- -- Common stock, $0.01 par value, 50,000,000 authorized; 12,959,209 and 12,953,375 shares issued and outstanding as of February 3, 2002 and February 4, 2001, respectively 131 131 Paid in capital 115,701 115,659 Restricted stock awards 382 243 Retained earnings 55,778 48,200 --------- --------- 171,992 164,233 Less: treasury stock, at cost (175,000 shares) 1,846 1,846 --------- --------- Total stockholders' equity 170,146

162,387 ----
----- ------
--- Total
liabilities
and
stockholders'
equity $
309,134 $
303,875

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
DAVE & BUSTER'S, INC.

	FISCAL YEAR		
	2001	2000	1999
(in thousands, except per share amounts)			
Food and beverage revenues	$ 181,358	$ 168,085	$ 121,390
Amusement and other revenues	176,651	164,218	125,744
Total revenues	358,009	332,303	247,134
Cost of revenues	66,939	61,547	45,720
Operating payroll and benefits	110,478	101,143	76,242
Other store operating expenses	106,971	90,581	65,292
General and administrative expenses	20,653	20,019	14,988
Depreciation and amortization expense	28,693	25,716	19,884
Preopening costs	4,578	5,331	6,053
Total costs and expenses	338,312	304,337	228,179
Operating income	19,697	27,966	18,955
Interest expense, net	7,820	8,712	3,339
Income before provision for income taxes and			

cumulative effect of a change in an accounting principle 11,877 19,254 15,616 Provision for income taxes (Note 5) 4,299 7,009 5,724 --------- --------- --------- Income before cumulative effect of a change in an accounting principle 7,578 12,245 9,892 Cumulative effect of a change in an accounting principle, net of income tax benefit of $2,928 -- -- 4,687 --------- --------- --------- Net income $ 7,578 $ 12,245 $ 5,205 Net income per share - basic Before cumulative effect of a change in an accounting principle $ .58 $ .95 $ .76 Cumulative effect of a change in an accounting principle -- .36 --------- --------- --------- $ .58 $ .95 $ .40 Net income per share - diluted Before cumulative effect of a change in an accounting principle $ .58 $ .94 $ .75 Cumulative effect of a change in an accounting principle -- -- .36 --------- --------- --------- $ .58 $ .94 $ .39 Weighted average shares outstanding Basic 12,956

12,953 13,054
Diluted
13,016 12,986
13,214

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
DAVE & BUSTER'S, INC.

Common
Stock Paid
in
Restricted
Retained
Treasury --

Capital
Stock
Awards
Earnings
Stock Total
Shares
Amount (in
thousands)
Balance,
January 31,
1999 13,069
$ 131 $
114,621 $ -
- $ 30,750
$ -- $
145,502
Proceeds
from
exercising
stock
options 59
-- 786 -- -
- -- 786
Tax benefit
related to
stock
option
exercises -
- -- 252 --
-- -- 252
Purchase of
treasury
stock (175)
-- -- -- --
(1,846)
(1,846) Net
income -- -
- -- --
5,205 --
5,205 -----
---- ------
--- -------
-- --------
- ---------
--------- -

Balance,
January 30,
2000 12,953
$ 131 $
115,659 $ -
- $ 35,955
$ (1,846) $
149,899
Amortization
of
restricted
stock
awards -- -
- -- 243 --
-- 243 Net
income -- -
- -- --
12,245 --
12,245 ----
----- -----
---- ------

--- -------
-- --------
- ---------

Balance,
February 4,
2001 12,953
$ 131 $
115,659 $
243 $
48,200 $
(1,846) $
162,387
Amortization
of
restricted
stock
awards -- -
- -- 139 --
-- 139
Proceeds
from
exercising
stock
options 6 -
- 40 -- --
-- 40 Tax
benefit
related to
stock
option
exercises -
- -- 2 -- -
- -- 2 Net
income -- -
- -- --
7,578 --
7,578 -----
---- ------
--- -------
-- --------
- ---------
--------- -

Balance,
February 3,
2002 12,959
$ 131 $
115,701 $
382 $
55,778 $
(1,846) $
170,146

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
DAVE & BUSTER'S, INC.

	FISCAL YEAR		
	2001	2000	1999
	(in thousands)		
Cash flows from operating activities:			
Net income	$ 7,578	$ 12,245	$ 5,205
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in an accounting principle	--	--	4,687
Depreciation and amortization	28,693	25,716	19,884
Provision for deferred income taxes	467	1,182	986
Restricted stock awards	--	243	--
Gain on sale of assets	(441)	--	--
Changes in assets and liabilities			
Inventories	(4,206)	(5,515)	(5,432)
Prepaid expenses	2,221	(1,559)	(361)
Other assets	693	(671)	(666)
Accounts payable	6,700	(2,577)	(1,827)
Accrued liabilities	4,035	2,192	1,073
Income taxes payable	1,487	3,567	--
Other liabilities	2,399	1,855	1,391
	---------	---------	---------
Net cash provided by operating activities	49,626	36,678	24,940
Cash flows from investing activities:			
Proceeds from sale/leasebacks	18,474	--	--
Capital expenditures	(49,351)	(53,574)	

(73,798) ------
--- --------- -
-------- Net
cash used in
investing
activities
(30,877)
(53,574)
(73,798) ------
--- --------- -
-------- Cash
flows from
financing
activities:
Purchase of
treasury stock
-- -- (1,846)
Borrowings
under long-term
debt 24,060
131,292 50,000
Repayments of
long-term debt
(41,648)
(114,308)
(1,500)
Proceeds from
issuance of
common stock,
net 181 -- 786
--------- -----
---- ---------
Net cash (used
in)/provided by
financing
activities
(17,407) 16,984
47,440 --------
- --------- ---
------ Increase
(decrease) in
cash and cash
equivalents
1,342 88
(1,418)
Beginning cash
and cash
equivalents
3,179 3,091
4,509 ---------
--------- -----
---- Ending
cash and cash
equivalents $
4,521 $ 3,179 $
3,091
Supplemental
disclosures of
cash flow
information:
Cash paid for
income taxes $
2,590 $ 1,941 $
4,188 Cash paid
for interest,
net of amounts
capitalized $
7,261 $ 8,363 $
3,455

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DAVE & BUSTER'S, INC.

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION -- The consolidated financial statements include the accounts of Dave & Buster's, Inc. and all wholly-owned subsidiaries (the "Company"). All material intercompany accounts and transactions have been eliminated in consolidation. The Company's one industry segment is the ownership and operation of restaurant/entertainment complexes (a "Complex" or "Store") under the name "Dave & Buster's," which are principally located in the United States.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

FISCAL YEAR -- The Company's fiscal year ends on the Sunday after the Saturday closest to January 31. References to 2001, 2000 and 1999 are to the 52 weeks ended February 3, 2002 and to the 53 weeks ended February 4, 2001 and to the 52 weeks ended January 30, 2000, respectively.

INVENTORIES -- Inventories, which consist of food, beverage and merchandise are reported at the lower of cost or market determined on a first-in, first-out method. Static supplies inventory is capitalized at each store opening date and reviewed periodically for valuation.

PREOPENING COSTS -- The Company adopted Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities", in the first quarter of fiscal 1999. This accounting standard requires the Company to expense all start-up and preopening costs as they are incurred. The Company previously deferred such costs and amortized them over the twelve-month period following the opening of each store. The cumulative effect of this accounting change, net of income tax benefit of $2,928, was $4,687 in fiscal 1999.

PROPERTY AND EQUIPMENT -- Expenditures for new facilities and those which substantially increase the useful lives of the property, including interest during construction, are capitalized. Interest capitalized in 2001, 2000 and 1999 was $892, $1,555 and $1,623, respectively. Equipment purchases are capitalized at cost. Property and equipment lives are estimated as follows: buildings, 40 years; leasehold and building improvements, shorter of 20 years or lease life; furniture, fixtures and equipment, 5 to 10 years; games, 5 years.

GOODWILL -- Goodwill of $9,708 is being amortized over 30 years. Whenever there is an indication of impairment, the Company evaluates the recoverability of goodwill using future undiscounted cash flows. In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets ("Statements"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new standards on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statements is expected to result in an increase in income before tax of $349 ($.03 per diluted share) in 2002 as a result of nonamortization of existing goodwill. During the first quarter of 2002, the Company will perform the required impairment test of goodwill as of February 3, 2002. Based on current analysis, the Company will record a one-time expense to "Cumulative effect of a change in accounting principle" of $7,096 ($.55 per diluted share), upon the adoption of the new standard. If FAS 142 had been adopted as of the beginning of the 1999 fiscal year, the amortization of expense would have had the following impact on prior period operations:

	Fiscal Year Ended January 30, 2000	February 4, 2001	February 3, 2002
Reported Net Income	$ 5,205	$ 12,245	$ 7,578
Amortization expense recorded for the period	349	349	349
Adjusted Net Income	$ 5,554	$ 12,954	$ 7,927
Reported net income per share (diluted)	$ 0.39	$ 0.94	$ 0.58
Goodwill amortization per share (diluted)	0.03	0.03	.03
Adjusted net income per share (diluted)	$ 0.42	$ 0.97	$ 0.61

DEPRECIATION AND AMORTIZATION -- Property and equipment, excluding most games, are depreciated on the straight-line method over the estimated useful life of the assets. Games are generally depreciated on the 150%-double-declining-balance method over the estimated useful lives of the assets. Intangible assets are amortized on the straight-line method over estimated useful lives as follows: trademarks over statutory lives and lease rights over remaining lease terms.

INTEREST RATE SWAP AGREEMENTS -- The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133") effective February 5, 2001. FAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. During the year, the Company has entered into an agreement that expires in 2007, to fix its variable-rate debt to fixed-rate debt (5.44% at February 3, 2002) on notional amounts aggregating $51,255. The market risks associated with the agreements are mitigated because increased interest payments under the agreement resulting from reductions in LIBOR are effectively offset by reduction in interest expense under the debt obligation.

The Company is exposed to credit losses for periodic settlements of amounts due under the agreements. A charge of $858 to interest expense was incurred in fiscal 2001 under the agreement.

INCOME TAXES -- The Company uses the liability method which recognizes the amount of current and deferred taxes payable or refundable at the date of the financial statements as a result of all events that are recognized in the financial statements and as measured by the provisions of enacted tax laws.

STOCK OPTION PLAN -- The Company elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation", requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

REVENUE RECOGNITION -- Food, beverage and amusement revenues are recorded at point of service. Foreign license revenues are deferred until the Company fulfills its obligations under license agreements, which is upon the opening of the Complex. The license agreements provide for continuing royalty fees based on a percentage of gross revenues and are recognized when assured.

ADVERTISING COSTS -- In accordance with SOP 93-7 "Reporting on Advertising Costs", all costs of advertising are recorded as expense in the period in which the costs are incurred or the first time the advertising takes place. For fiscal 2001 and 2000, such expenses are 3.7% and 3.3% of revenue, respectively.

TREASURY STOCK -- During fiscal 1999, the Company's Board of Directors approved a plan to repurchase up to 1,000 shares of the Company's common stock. Pursuant to the plan, the Company repurchased 175 shares of its common stock for approximately $1,846 during fiscal 1999.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2001	2000
Land	$ 6,706	$ 11,308
Buildings	34,232	56,023
Leasehold and building improvements	143,114	110,559
Games	79,673	69,970
Furniture, fixtures, and equipment	92,033	72,723
Construction in progress	3,711	17,914
Total cost	359,469	338,497
Accumulated depreciation	(101,167)	(78,030)
	$ 258,302	$ 260,467

NOTE 3: ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	2001	2000
Payroll	$ 2,393	$ 1,873
Sales and use tax	1,387	1,618
Real estate tax	2,620	1,873
Other	4,685	1,686
Total accrued liabilities	$ 11,085	$ 7,050

NOTE 4: LONG-TERM DEBT

In 2000, the Company secured a $110,000 senior secured revolving credit and term loan facility. On November 19, 2001, the Company amended its senior secured revolving credit and term loan facility to allow proceeds from sale/leaseback transactions to be applied to both the revolving credit and term loans. The facility includes a five-year revolver and five and seven-year term debt. The facility agreement calls for quarterly payments of principal on the term debt through the maturity date. Borrowing under the facility bears interest at a floating rate based on LIBOR (1.77% at February 3, 2002) or, at the Company's option, the bank's prime rate (4.75% at February 3, 2002) plus, in each case, a margin based upon financial performance. The facility is secured by all assets of the Company. The facility has certain financial covenants including a minimum consolidated tangible net worth level, a maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures. At February 3, 2002, $5,208 was available under this facility. The fair value of the Company's long-term debt approximates its carrying value.

The Company has entered into an agreement that expires in 2007, to change a portion of its variable rate debt to fixed-rate debt. Notional amounts aggregating $51,255 are fixed at 5.44%. The Company is exposed to credit losses for periodic settlements of amounts due under the agreements if LIBOR decreases. A charge of $858 to interest expense was incurred in 2001 under the agreement.

NOTE 5: INCOME TAXES

The provision for income taxes is as follows:

	2001	2000	1999
Current expense			
Federal	$ 3,149	$ 5,077	$ 4,242
State and local	504	750	496
Deferred tax expense	646	1,182	986
Total provision for income taxes	$ 4,299	$ 7,009	$ 5,724

Significant components of the deferred tax liabilities and assets in the consolidated balance sheets are as follows:

	2001	2000	1999
Accelerated depreciation	$ 11,399	$ 9,474	$ 7,475
Preopening costs	(1,378)	--	--
Prepaid expenses	152	129	130
Capitalized interest costs	1,740	1,281	1,346
Total deferred tax liabilities	11,913	10,884	8,951
Worker's compensation	281	304	330
Leasing transactions	2,288	1,500	791
Other	(19)	184	116
Total deferred tax assets	2,550	1,988	1,237
Net deferred tax liability	$ (9,363)	$ (8,896)	$ (7,714)

Reconciliation of federal statutory rates to effective income tax rates:

	2001	2000	1999
Federal corporate statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	3.1%	2.2%	2.1%
Goodwill amortization and other nondeductible expenses	1.0%	2.1%	2.2%
Tax credits	(4.3)%	(2.0)%	(1.9)%
Effect of change in deferred tax rate	--	(1.9)%	(2.4)%
Other	1.4%	1.0%	1.7%
Effective tax rate	36.2%	36.4%	36.7%

NOTE 6: LEASES

The Company leases certain properties and equipment under operating leases. Some of the leases include options for renewal or extension on various terms. Most leases require the Company to pay property taxes, insurance and maintenance of the leased assets. Some leases have provisions for additional percentage rentals based on revenues; however, payments of percentage rent were minimal during the three-year period ended February 3, 2002. For 2001, 2000 and 1999, rent expense for operating leases was $19,469, $14,295 and $11,119, respectively. At February 3, 2002, future minimum lease payments required under operating leases are $22,391 in 2002; $21,892 in 2003; $21,675 in 2004; $21,368 in 2005; $21,313 in 2006 and $301,957 thereafter.

During the year ended February 3, 2002, the Company completed the sale/leaseback of two stores (Atlanta and Houston) and the corporate headquarters in Dallas. Cash proceeds of $18,474 were received along with $5,150 in twenty year interest bearing notes receivable at 7-7.5%. The locations were sold to non-affiliated entities. No revenue or profit was recorded at the time of the transaction.

Upon execution of the sale/leaseback transactions, property costs of $27,360 and accumulated depreciation of $3,832 were removed from the Company's books resulting in a loss of $272 which was recognized in 2001 and a gain of $713 on one facility being amortized over the term of the operating lease.

Future operating lease obligations under the lease agreements are as follows: $2,917 in 2002, $2,957 in 2003, $2,997 in 2004, $3,037 in 2005, $3,078 in 2006 and $50,976 thereafter. Future minimum note payments and interest income associated with the sale/leasebacks at Houston and Atlanta are as follows: $488 in 2002, $488 in 2003, $488 in 2004, $488 in 2005 and $7,782 thereafter.

NOTE 7: COMMON STOCK

In 1995, the Company adopted the Dave & Buster's, Inc. 1995 Stock Option Plan (the "Plan") covering 675 shares of common stock. In 1997, 1998 and 2001, the Company increased the shares of common stock covered by the Plan to 1,350, 2,350 and 2,950 respectively. The Plan provides that incentive stock options may be granted at option prices not less than fair market value at date of grant (110% in the case of an incentive stock option granted to any person who owns more than 10% of the total combined voting power of all classes of stock of the Company). Non-qualified stock options may not be granted for less than 85% of the fair market value of the common stock at the time of grant and are primarily exercisable over a three to five year period from the date of the grant.

In 1996, the Company adopted a stock option plan for outside directors (the "Directors' Plan"). A total of 150 shares of common stock are subject to the Directors Plan. The options granted under the Directors' Plan vest ratably over a three year period. In 2001, the Company increased the shares of common stock subject to the Directors' Plan from 150 shares to 190 shares.

In 2000, the Company amended and restated the Dave & Buster's, Inc. 1995 Stock Incentive Plan to allow the Company to grant restricted stock awards. These restricted stock awards will fully vest at the end of the vesting period or the attainment of one or more performance targets established by the Company. Recipients are not required to provide consideration to the Company other than render service and have the right to vote the shares and to receive dividends. The Company issued in 2001 and 2000, 63.5 and 267 shares of restricted stock at a market value of $6.45 - $7.90 and $6.75, respectively, which vest at the earlier of attaining certain performance targets or seven years. The total market value of the restricted shares, as determined at the date of issuance, is treated as unearned compensation and is charged to expense over the vesting period. The charge to expense for the unearned compensation was $139 and $243 in 2001 and 2000, respectively.

Pro forma information regarding net income and earnings per common share is required by SFAS 123, and is used as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 4.59%, 6.30%, and 5.39%; dividend yields of 0.0%; volatility factors of the expected market price of the Company's common stock of .650, .740, and .494; and a weighted-average life of the option of 3.2, 2.7, and 4.4 years.

The Black-Scholes option valuation model is used in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. Because SFAS 123 requires compensation expense to be recognized over the vesting period, the impact on pro forma net income and pro forma earnings per common share as reported below may not be representative of pro forma compensation expense in future years.

The Company's pro forma information is as follows:

	2001	2000	1999
Net income, as reported	$ 7,578	$ 12,245	$ 5,205
Pro forma net income	$ 5,931	$ 10,018	$ 3,627
Basic net income per share, as reported	$ .58	$ .95	$ .40
Pro forma basic net income per share	$ .46	$ .77	$ .28
Diluted net income per share, as reported	$ .58	$ .94	$ .39
Pro forma diluted net income per share	$ .46	$ .77	$ .27

A summary of the Company's stock option activity and related information is as follows:

	2001		2000		1999	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding -- beginning of year	1,932	$ 14.78	1,666	$ 17.24	1,145	$ 16.82
Granted	1,233	$ 6.82	674	$ 7.49	734	$ 18.10
Exercised	(6)	$ 6.80	--	--	(59)	$ 12.88
Forfeited	(234)	$ 13.16	(408)	$ 12.77	(154)	$ 20.09
Outstanding -- end of year	2,925	$ 11.56	1,932	$ 14.78	1,666	$ 17.24
Exercisable -- end of year	1,178					

$ 15.26
642 $
17.37 516
$ 14.87
Weighted-
average
fair value
of options
granted
during the
year $
3.28 $
3.96 $
8.36

As of February 3, 2002, exercise prices for 2,925 options ranged from $6.10 to $25.32. The weighted-average remaining contractual life of the options is 7.6 years.

Under a Shareholder Protection Rights Plan adopted by the Company, each share of outstanding common stock includes a right which entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock for seventy five dollars. Rights attach to all new shares of commons stock whether newly issued or issued from treasury stock and become exercisable only under certain conditions involving actual or potential acquisitions of the Company's common stock. Depending on the circumstances, all holders except the acquiring person may be entitled to 1) acquire such number of shares of Company common stock as have a market value at the time of twice the exercise price of each right, or 2) exchange a right for one share of Company common stock or one one-hundredth of a share of the Series A Junior Participating Preferred Stock, or 3) receive shares of the acquiring company's common stock having a market value equal to twice the exercise price of each right. The rights remain in existence until ten years after the Distribution, unless they are redeemed (at one cent per right).

NOTE 8: EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	2001	2000	1999
Numerator- Net Income	$ 7,578	$ 12,245	$ 5,205
Denominator:			
Denominator for basic net income per share -- Weighted average shares	12,956	12,953	13,054
Effect of dilutive securities -- employee stock options	60	33	160
Denominator for diluted earnings per share -- adjusted weighted average shares	13,016	12,986	13,214
Basic net income per share	$ .58	$ .95	$ .40
Diluted net income per share	$ .58	$ .94	$ .39

Options to purchase 1,529, 1,346 and 925 shares of common stock for 2001, 2000 and 1999, respectively, were not included in the computation of diluted net income per share because the options would have been antidilutive.

NOTE 9: RELATED PARTY ACTIVITY

During 2000, the Company was party to a consulting agreement with Sandell Investments ("Sandell"), a partnership whose controlling partner is a director of the Company. Sandell advises the Company with respect to expansion and site selection, market analysis, improvement and enhancement of the Dave & Buster's concept and other similar and related activities. Annual fees of $125 were paid to Sandell in 2000 and 1999, the maximum fee provided for under the agreement.

The Company was a party to a sale/leaseback transaction with Cypress Equities, Inc. for its San Diego, California location, whereby the Company received $8,000 in exchange for committing to lease payments of approximately $6,300 over 20 years with options for renewal. A director of the Company is the managing member of Cypress Equities, Inc. Payments to Cypress Equities, Inc. in 2001 and 2000 were $1,242 and $349, respectively.

NOTE 10: EMPLOYEE BENEFIT PLAN

The Company sponsors a plan to provide retirement benefits under the provision of Section 401(k) of the Internal Revenue Code (the "401(k) Plan") for all employees who have completed a specified term of service. Company contributions may range from 0% to 100% of employee contributions, up to a maximum of 6% of eligible employee compensation, as defined. Employees may elect to contribute up to 20% of their eligible compensation on a pretax basis. Benefits under the 401(k) Plan are limited to the assets of the 401(k) Plan.

NOTE 11: CONTINGENCIES

The Company is subject to certain legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to all actions will not materially affect the consolidated results of operations or financial condition of the Company.

NOTE 12: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Fiscal 2001	First	Second	Third	Fourth
Total revenues	$ 88,210	$ 83,622	$ 81,371	$ 104,806
Income before provision for income taxes	4,834	2,675	(2,936)	7,304
Net income	3,084	1,707	(1,873)	4,660
Basic net income per share	$ .24	$ .13	$ (.14)	$ .36
Basic weighted average shares outstanding	12,953	12,954	12,956	12,957
Diluted net income per share	$ .24	$ .13	$ (.14)	$ .36
Diluted weighted average shares outstanding	13,068	13,028	12,956	12,992

Fiscal 2000	First	Second	Third	Fourth
Total revenues	$ 77,849	$ 77,566	$ 79,244	$ 97,644
Income before provision for income taxes	4,565	3,397	2,368	8,924
Net income	2,890	2,150	1,499	5,706
Basic net income per share	$ .22	$ .17	$ .12	$ .44
Basic weighted average shares outstanding	12,953	12,953	12,953	12,953
Diluted net income per share	$ .22	$ .17	$ .12	$ .44
Diluted weighted average shares outstanding	12,960	12,954	12,974	13,077

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
23	Independent Auditors' Consent

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-80537 and 333-88183) pertaining to Dave & Buster's Inc. 1995 Stock Option Plan and Employee 401(k) Savings Plan of our report dated March 21, 2002 with respect to the consolidated financial statements of Dave & Buster's, Inc. included in this Annual Report (Form 10-K/A) for the year ended February 3, 2002.

/s/ ERNST & YOUNG LLP

Dallas, Texas
June 13, 2002
REPORT OF INDEPENDENT AUDITORS