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BDO Stoy Hayward
Chartered Accountants

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KIRKERN LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended
31 October 1998



Company Number 80350

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BDO Stoy Hayward – South East Firm
Offices in London, Bromley, Chelmsford, Epsom, Reading, Richmond, Ware and Wembley

DIRECTORS

R Mitchell (Chairman)
B Mitchell

SECRETARY

B Mitchell

REGISTERED OFFICE

32-34 Vicar Street
Falkirk
FK1 1TD

ACCOUNTANTS

BDO Stoy Hayward
64 Dalblair Road
Ayr
KA7 1UH

BANKERS

Bank of Scotland
43 Vicar Street
Falkirk
FK1 1LN

KIRKERN LIMITED

DIRECTORS' REPORT
for the year ended 31 October 1998

FINANCIAL STATEMENTS

The directors present their report and the financial statements of the company for the year ended 31 October 1998.

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 of the company for that period. In preparing those financial statements, the directors are required to

(1) select suitable accounting policies and then apply them consistently;

(2) make judgements and estimates that are reasonable and prudent;

(3) 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £12,621.

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the running of an amusement arcade.

The directors are happy with the company's improved trading performance which has continued during the current year.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and their interests in the share capital were as follows:

	Ordinary shares of £1 each	
	1998	1997
R Mitchell (Chairman)	100	100
B Mitchell	400	400

KIRKERN LIMITED

DIRECTORS' REPORT
for the year ended 31 October 1998

YEAR 2000

The directors have assessed the potential impact on management information and operating systems both in administrative and production environments, and consider that the change over to the new millennium will not cause any major disruption or involve significant cost to the company.

This report was approved by the Board on 28 January 1999.

B Mitchell
Secretary



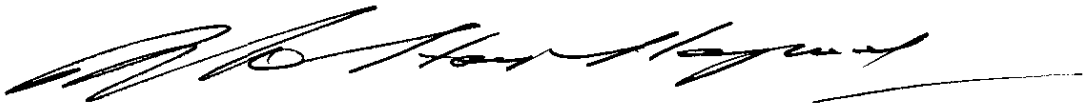
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BDO Stoy Hayward
Chartered Accountants

64 Dalblair Road Ayr KA7 1UH

ACCOUNTANTS' REPORT
to the members of KIRKERN LIMITED

As described on page 2 you are responsible for the preparation of the accounts and you consider that the company is exempt from an audit. In accordance with your instructions and in order to assist you to fulfil your responsibilities we have prepared the accounts on pages 5 to 13 from the accounting records and from information and explanations supplied to us.



Chartered Accountants

28 January 1999

KIRKERN LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1998

	Notes	1998 £	1997 £
Turnover	2	216,150	210,523
Cost of sales		(76,704)	(95,415)
Gross profit		139,446	115,108
Administrative expenses		(119,505)	(102,582)
Operating profit	4	19,941	12,526
Interest payable and similar charges	6	(3,471)	(4,170)
Profit on ordinary activities before taxation		16,470	8,356
Tax on profit on ordinary activities	7	(3,849)	(6,248)
Profit for the year transferred to reserves		12,621	2,108

All trading arose from continuing operations.

Recognised gains and losses

There are no recognised gains and losses other than the profit on ordinary activities after tax shown above.

KIRKERN LIMITED

BALANCE SHEET
as at 31 October 1998

	Notes	£	1998 £	1997 £
FIXED ASSETS				
Tangible assets	8		145,084	147,339
CURRENT ASSETS				
Debtors	9	36,061		44,417
Cash at bank and in hand		4,067		3,916
		40,128		48,333
CREDITORS: amounts falling due within one year	10	(105,219)		(125,600)
Net current liabilities			(65,091)	(77,267)
Total assets less current liabilities			79,993	70,072
CREDITORS: amounts falling due after more than one year	11		-	(2,700)
			79,993	67,372
CAPITAL AND RESERVES				
Called up share capital	13		500	500
Profit and loss account	14		79,493	66,872
Equity shareholders funds			79,993	67,372

The directors:

1. confirm that for the year ending 31 October 1998 the company was entitled to the exemption under subsection (1) of section 249A;

2. confirm that no notice requiring an audit had been deposited under sub-section (2) of section 249B in relation to the accounts for the financial year; and financial year; and

3. continued overleaf

KIRKERN LIMITED

BALANCE SHEET
as at 31 October 1998

(Continued)

3. The directors acknowledge their responsibilities for;

   (a) ensuring that the company keeps accounting records which comply with section 221; and

   (b) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.

The financial statements on pages 5 to 13 were approved by the Board on 28 January 1999.

R Mitchell.....Director

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets and depreciation

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

Freehold land and buildings	-	over 50 years
Fixtures and fittings	-	over 10 years
Arcade equipment	-	over 3 years
Motor vehicles	-	25% reducing balance

Leasing and hire purchase commitments

Assets obtained under hire purchase and leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments, and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract, in order to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Deferred taxation

Provision is made for deferred taxation under the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes, except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Pension costs

Contributions to defined contribution schemes are charged to the profit and loss account in the year in which they become payable.

Cash flow statement

No cash flow statement is included in the financial statements due to the small company exemptions provided in Financial Reporting Standard No 1.

2. TURNOVER

Turnover represents the arcade takings stated net of value added tax. The turnover and pre-tax profit is attributable to one activity, the running of an amusement arcade.

3. STAFF COSTS

(a) Number of employees

The average monthly number of persons (including directors) employed by the company during the year was:

	1998 Number	1997 Number
Management	1	1
Administration	4	4
	5	5

(b) Employment costs

	£	£
Wages and salaries	68,202	54,122
Social security costs	6,386	4,583
Other pension costs	1,600	4,801
	76,188	63,506

4. OPERATING PROFIT

is stated after charging:

	1998 £	1997 £
Depreciation: owned fixed assets	61,655	64,878
Depreciation: assets under hire purchase contracts	1,490	1,988
Directors emoluments	25,203	35,591

KIRKERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1998

5. DIRECTORS' EMOLUMENTS AND PENSION CONTRIBUTIONS

	1998 £	1997 £
Emoluments	23,603	30,790
Payments to defined contribution pension schemes	1,600	4,801

6. INTEREST PAYABLE

	1998 £	1997 £
On loans and overdrafts repayable: within five years	3,074	3,774
On hire purchase contracts: terminating within five years	397	396
	3,471	4,170

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Based on the profit for the year:		
Corporation tax	3,849	6,248

KIRKERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1998

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Fixtures and fittings	Arcade equipment	Motor vehicles	Total
Cost	£	£	£	£	£
1 November 1997	124,680	24,231	187,061	10,600	346,572
Additions	-	-	47,721	13,169	60,890
Disposals	-	-	(65,824)	-	(65,824)
31 October 1998	**124,680**	**24,231**	**168,958**	**23,769**	**341,638**
Depreciation					
1 November 1997	36,800	24,231	133,564	4,638	199,233
Charge for the year	2,494	-	55,869	4,782	63,145
Disposals	-	-	(65,824)	-	(65,824)
31 October 1998	**39,294**	**24,231**	**123,609**	**9,420**	**196,554**
Net book value					
Owned assets	85,386	-	45,349	9,877	140,612
Hire purchased assets	-	-	-	4,472	4,472
31 October 1998	**85,386**	**-**	**45,349**	**14,349**	**145,084**
Owned assets	87,880	-	53,497	-	141,377
Hire purchased assets	-	-	-	5,962	5,962
31 October 1997	87,880	-	53,497	5,962	147,339

KIRKERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1998

9. DEBTORS

	1998 £	1997 £
Directors loan account	25,052	33,027
Taxation recoverable	11,009	11,390
	36,061	44,417

10. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Bank overdraft	23,265	39,834
Obligations under hire purchase contracts	2,700	2,700
Trade creditors	53,099	53,501
Corporation tax	3,849	6,248
Other taxes and social security costs	16,468	15,351
Accruals and deferred income	5,838	7,966
	105,219	125,600

The bank overdraft is secured by standard security over the company's property in Falkirk.

11. CREDITORS: amounts falling due after more than one year

	1998 £	1997 £
Obligations under hire purchase contracts	-	2,700

12. FINANCIAL COMMITMENTS

Liabilities under hire purchase contracts

The company has liabilities under hire purchase contracts, which are secured on the assets being purchased, as follows:-

Amounts payable:	1998 £	1997 £
Within one year	3,096	3,096
Between two and five years	-	3,096
	3,096	6,192
Less: finance charges allocated to future periods	396	792
	2,700	5,400

KIRKERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1998

13. SHARE CAPITAL

Authorised and allotted share capital

	Authorised		Allotted, called up and fully paid	
	1998 Number	1997 Number	1998 £	1997 £
£1 Ordinary	10,000	10,000	500	500

14. RESERVES

	Profit and loss account £
1 November 1997	66,872
Retained profit for the year	12,621
31 October 1998	79,493

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the year	12,621	2,108
Opening shareholders' funds	67,372	65,264
	79,993	67,372