

Company No: 3691713

KYF EUROPE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2004



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KYF EUROPE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

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KYF EUROPE LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2004.

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 of the Company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Activities

The principal activity of the Company in the year under review continued to be interactive game simulator merchandising.

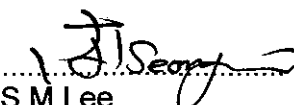
Directors

The directors during the year and their interests in the Company's ordinary shares at the beginning and the end of the year were as follows:

	<u>31.03.04</u>	<u>31.03.03</u>
Seong Min Lee	100,000	-
Hyun Chul Jung	200,000	-
Richard Dunn	100,000	-

The directors' report is prepared in accordance with special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board


S M Lee
Director

Date: 20 Jun 05

KYF EUROPE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
Turnover	2	746,378	604,929
Cost of sales		(612,046)	(352,253)
GROSS PROFIT/(LOSS)		134,332	252,676
Administrative expenses		(491,674)	(476,096)
OPERATING LOSS	3 - 4	(357,342)	(223,420)
Other interest receivable and similar income	5	720	2,834
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(356,622)	(220,586)
Tax on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR		£(356,622) =====	£(220,586) =====

Movements on reserves are set out in note 13.

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous period.

GAINS AND LOSSES

All recognised gains and losses are included in the profit and loss account.

KYF EUROPE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2004

	<u>Notes</u>	<u>2004</u> £	<u>2002</u> £
FIXED ASSETS			
Investments	8	240,000	240,000
Tangible assets	7	201,756	295,940
		<u>441,756</u>	<u>535,940</u>
CURRENT ASSETS			
Stocks	9	98,600	130,767
Debtors	10	301,462	157,949
Cash at bank and in hand		29,387	126,145
		<u>429,449</u>	<u>414,861</u>
CREDITORS: amounts falling due within one year	11	565,523	288,497
NET CURRENT (LIABILITIES)/ASSETS		<u>(136,074)</u>	<u>126,364</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 305,682 =====	£ 662,304 =====
CAPITAL AND RESERVES			
Called up share capital	12	1,500,000	1,500,000
Profit and loss account	13	(1,194,318)	(837,696)
SHAREHOLDERS FUNDS	14	£ 305,682 =====	£ 662,304 =====

For the year ended 31 March 2004, the Company was entitled to the exemption under subsection 1 of section 249A of the Companies Act 1985 and no notice has been deposited under subsection 2 of section 249B of that Act in relation to the year then ended.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 as well as for preparing accounts which give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its profit or loss for the year then ended in accordance with the requirements of s226 and which comply with the requirements of the Companies Act 1985 relating to accounts so far as applicable to the company.

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities relating to small companies (effective June 2002).

The accounts were approved by the Board of Directors on 20 Jan. 2005


S M Lee
Director

KYF EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

b) Depreciation

Depreciation is provided by the Company to write off the cost or valuation of fixed tangible assets over their estimated useful economic lives on the reducing balance basis at the following rates:

Fixtures, fittings tools and equipment	-	15%
Motor vehicle	-	25%
Income sharing machines	-	33.3%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the periods of the leases where these are shorter.

c) Stocks

Stocks are valued at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken at production cost which includes an appropriate proportion of overheads.

d) Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will not be payable in the foreseeable future.

e) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the Balance Sheet date.

Profits and losses arising on the exchange of foreign currencies are dealt with through the Profit and Loss Account.

KYF EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

f) Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 from producing a cash flow statement on the grounds that it is a small company.

g) Group accounts

These accounts present information about the Company as an individual undertaking and not about its group. Group accounts have not been prepared as the group headed by the Company qualifies for the exemption conferred by Section 248 of the Companies Act 1985 on the grounds that it is a small group.

2 TURNOVER AND LOSS BEFORE TAXATION

All the Company's turnover and pre-tax loss was derived from the activities referred to on the Directors' Report. Turnover consists of the invoiced value (excluding VAT) for goods and services supplied to third parties.

3 OPERATING LOSS

	<u>2004</u> £	<u>2003</u> £
Operating loss is stated after charging/(crediting):		
Depreciation of owned assets	101,232	145,366
Foreign exchange	800	(2,066)
Loss on sale of fixed assets	37,736	-
	=====	=====

4 DIRECTORS REMUNERATION

	<u>2004</u>	<u>2003</u>
As a director:		
Emoluments	£57,617	£15,200
	=====	=====

5 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2004</u>	<u>2003</u>
Bank interest receivable	£720	£2,834
	=====	=====

KYF EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 TAX ON ORDINARY ACTIVITIES

No provision for U.K. corporation tax is necessary on the results shown by these financial statements.

7 FIXED TANGIBLE ASSETS

	<u>Income sharing machines</u> £	<u>Fixtures, fittings, tools and equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
<u>Cost or valuation</u>				
At beginning of year	519,096	5,528	17,895	542,519
Additions	40,000	-	10,383	50,383
Disposals	(118,096)	-	-	(118,096)
	-----	-----	-----	-----
At end of year	441,000	5,528	28,278	474,806
	-----	-----	-----	-----
<u>Depreciation</u>				
At beginning of year	235,463	2,135	8,981	246,579
Charge for year	93,432	509	7,291	101,232
Disposals	(74,761)	-	-	(74,761)
	-----	-----	-----	-----
At end of year	254,134	2,644	16,272	273,050
	-----	-----	-----	-----
<u>Net book value</u>				
At 31 March 2004	£186,866	£2,884	£12,006	£201,756
	=====	=====	=====	=====
At 31 March 2003	£283,633	£3,393	£8,914	£295,940
	=====	=====	=====	=====

8 INVESTMENTS

	<u>Investments in subsidiary undertakings</u>
<u>Cost</u>	
Addition at the end of year	£240,000
	=====

The above represents investments in the following 48% associated undertakings:

<u>Name</u>	<u>Country of registration</u>	<u>Holding</u>	<u>Capital and reserves</u>	<u>Loss for the year</u>
Sofco Limited	England	240,000 ordinary shares of £1 each		
Sofco Limited			£434,419	£125,864
			=====	=====

KYF EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 STOCKS

	<u>2004</u>	<u>2003</u>
Finished goods and goods for resale	£98,600	£130,767
	=====	=====

10 DEBTORS

	<u>2004</u> £	<u>2003</u> £
<u>Due within one year</u>		
Trade debtors	279,859	148,265
Other debtors	7,823	7,504
Prepayments and accrued income	13,780	2,180
	-----	-----
	£301,462	£157,949
	=====	=====

11 CREDITORS

	<u>2004</u> £	<u>2003</u> £
<i>Creditors: Amounts falling due within one year</i>		
Trade creditors	532,486	215,654
Other creditors including taxation and social security	30,217	70,243
Accruals and deferred income	2,820	2,600
	-----	-----
	£565,523	£288,497
	=====	=====

12 CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>			
	<u>2004</u>	<u>2003</u>	<u>2004</u>		<u>2003</u>	
	£	£	No	£	No	£
Ordinary shares of £1 each	£1,500,000	£1,500,000	1,500,000	£1,500,000	1,500,000	£1,500,000
	=====	=====	=====	=====	=====	=====

13 RESERVES

	<u>Profit and loss account</u> £
At beginning of year	(837,696)
Loss for the year	(356,622)

At end of year	£(1,194,318)
	=====

KYF EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>2004</u> £	<u>2003</u> £
Loss for the year	(356,622)	(220,586)
Shares issued	-	-
	-----	-----
Net addition to shareholders funds	(356,622)	(220,586)
Opening shareholders funds	662,304	882,890
	-----	-----
Closing shareholders funds	£305,682	£662,304
	=====	=====