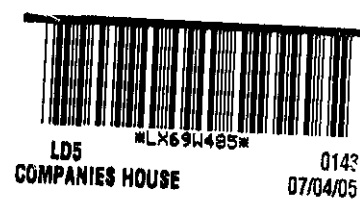


INFOGRAMES STUDIOS LIMITED

Report and Financial Statements

Year ended 31 March 2004



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Y J Bonnell	(resigned 15 January 2005)
F M A Chesnais	(resigned 20 January 2005)
D C Ward	(resigned 15 January 2005)
M J Passam	(appointed 20 January 2005)
J Wigmore	(appointed 20 January 2005)

SECRETARY

A R H Carroll

REGISTERED OFFICE

Landmark House
Hammersmith Bridge Road
London
W6 9EJ

BANKERS

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 4DB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITY AND FUTURE PROSPECTS

The company's principal activity was the development, production and publication of interactive entertainment software products. Following a worldwide review of the development operations of the group a decision was made in February 2003 to close the studio. It is not envisaged that the company will recommence trading in the foreseeable future.

REVIEW OF DEVELOPMENTS AND RESULTS

The profit for the financial year after taxation was £ 350,802 (2003 – loss £2,879,111).

The directors do not recommend the payment of a dividend (2003 - £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, except as noted, are set out below:

B Y J Bonnell	(resigned 15 January 2005)
F M A Chesnais	(resigned 20 January 2005)
D C Ward	(resigned 15 January 2005)
M J Passam	(appointed 20 January 2005)
J Wigmore	(appointed 20 January 2005)

The directors have no interests in the shares of the company or its fellow subsidiaries.

The ultimate parent company at 31 March 2004 was Infogrames Entertainment SA.

The report and financial statements of the ultimate parent company detail the interests of B Y J Bonnell and F M A Chesnais, who were directors of that company during the year, in the shares of that company.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to stay in office. Accordingly a resolution for their reappointment, as auditors, will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Mark Passam

Director

7 April 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period 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 the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INFOGRAMES STUDIOS LIMITED

We have audited the financial statements of Infogrames Studio Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London



2005

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

	Note	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
TURNOVER		339,080	2,001,969
Cost of sales		-	(2,193,007)
Gross profit/ (loss)		<u>339,080</u>	<u>(191,038)</u>
Selling and distribution costs		-	(268,561)
Administrative expenses		<u>12,691</u>	<u>(1,227,887)</u>
OPERATING PROFIT /(LOSS)		351,771	(1,687,486)
Profit on the sale of fixed assets		-	126,203
Losses on the termination of an operation		-	(1,311,157)
Interest receivable and similar income		44,773	43,546
Interest payable and similar charges		<u>(45,742)</u>	<u>(50,217)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		350,802	(2,879,111)
Tax credit on profit on ordinary activities		-	-
PROFIT/ (LOSS) FOR THE YEAR / PERIOD RETAINED	13	<u>350,802</u>	<u>(2,879,111)</u>

All amounts relate to discontinued activities.

The company has no recognised gains or losses in the current or preceding year/period other than those shown above. Accordingly a Statement of Total Recognised Gains and Losses has not been presented.

BALANCE SHEET
31 March 2004

	Note	31 March 2004 £	31 March 2003 £
CURRENT ASSETS			
Debtors	8	2,649,081	2,920,563
Cash at bank and in hand		<u>1,085</u>	<u>1,306,789</u>
		2,650,166	4,227,352
CREDITORS: amounts falling due within one year	9	<u>(168,102)</u>	<u>(425,002)</u>
NET CURRENT ASSETS		<u>2,482,064</u>	<u>3,802,350</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,482,064	3,802,350
CREDITORS: amounts falling due after more than one year	10	(7,838,101)	(8,390,165)
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(95,169)</u>	<u>(1,214,193)</u>
NET LIABILITIES		<u>(5,451,206)</u>	<u>(5,802,008)</u>
CAPITAL AND RESERVES			
Called up share capital	12	10,000	10,000
Profit and loss account	13	<u>(5,461,206)</u>	<u>(5,812,008)</u>
EQUITY SHAREHOLDERS' DEFICIT	14	<u>(5,451,206)</u>	<u>(5,802,008)</u>

These financial statements were approved by the Board of Directors on

7 April

2005

Signed on behalf of the Board of Directors



Mark Passam

Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents royalty income and other sales at invoice value less trade discounts allowed and excluding value added tax.

Royalties receivable on products released prior to the period end are credited to the profit and loss account when due.

Guaranteed royalties falling due under contracts for products under development at the period end are credited to the profit and loss account in full, the attributable product development costs are charged in the same period.

Cash flow statement

The company has taken advantage of the exemption provided by Financial Reporting Standard No.1, as a wholly owned subsidiary undertaking, not to prepare a cash flow statement.

Research and development

Research and development expenditure not relating to specific projects intended for commercial exploitation is written off in the period in which it is incurred.

Tangible fixed assets and depreciation

Tangible assets are depreciated over their estimated useful lives at the following annual rates:

Freehold buildings	2% straight line
Office improvements	20% straight line
Computer equipment	33% straight line
Fixtures and fittings	25% straight line
Motor vehicles	25% reducing balance

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Differences arising on translation and on the conversion of ordinary foreign currency transactions during the year are dealt with as part of the profit on ordinary activities.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

Current taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted and substantively enacted at balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates a defined contribution scheme providing benefits for certain employees. Also for certain other employees the company contributes regular payments to personal pension plans of the employees' choice. The pension cost charge represents contributions payable to the company to the schemes in respect of the period.

2. TURNOVER

	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
All turnover arises from the principal activity in the following geographical areas:		
UK	339,080	694,215
Continental Europe	-	805,562
Rest of world	-	502,192
	<u>339,080</u>	<u>2,001,969</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no directors paid in this current year or preceding period.

	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
Average number employed in the year (including directors):		
Programming	-	71
Sales and administration	-	4
	<u>-</u>	<u>75</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	-	1,968,921
Social security costs	-	222,494
Other pension costs	-	39,735
	<u>-</u>	<u>2,231,150</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

4. OPERATING PROFIT/(LOSS)

	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
Operating profit/ (loss) is stated after charging/(crediting):		
Auditors' remuneration		
Audit fee	7,000	10,000
Other services	-	587
Depreciation written off tangible fixed assets		
- owned	-	279,453
- held under finance leases and hire purchase contracts	-	38,811
Exceptional items – staff redundancies	-	96,630
Profit on sale of fixed assets	-	(126,203)
Foreign currency exchange losses/ (profits)	-	231,104
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
Interest receivable from group undertakings	35,569	27,840
Interest receivable from bank	9,204	15,706
	<u> </u>	<u> </u>
	<u>44,773</u>	<u>43,546</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
Other interest	41,344	-
Interest payable on bank and other borrowings	-	43,638
Interest payable on hire purchase contracts	4,398	6,579
	<u> </u>	<u> </u>
	<u>45,742</u>	<u>50,217</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 March 2004 £	9 month period ended 31 March 2003 £
UK corporation tax at 30% (2003 – 30%) based on profit/(loss) for the period	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK and no tax charge arose in the prior year. A reconciliation of the tax rate is as follows:

	Year ended 31 March 2004 %	9 month period ended 31 March 2003 %
Standard tax rate for the year/period as a percentage of profit/(losses)	30	30
Effects of:		
Free group relief recieved	(30)	(30)
	<u>-</u>	<u>-</u>
Current tax rate for period as percentage of profits/(losses)	<u>-</u>	<u>-</u>

8. DEBTORS

	31 March 2004 £	31 March 2003 £
Due within one year:		
Amounts owed by other group undertakings	2,549,868	888,510
Corporation tax recoverable	-	41,344
Other debtors	706	1,892,202
	<u>2,550,574</u>	<u>2,822,056</u>
Due after one year:		
Amounts owed by parent undertaking	98,507	98,507
	<u>2,649,081</u>	<u>2,920,563</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2004	31 March 2003
	£	£
Bank loan and overdraft (note 10)	-	41,219
Trade creditors	65,018	133,053
Amounts due to other group undertakings	45,334	82,822
Other taxation and social security	13,243	66,621
Accruals and deferred income	44,507	101,287
	<u>168,102</u>	<u>425,002</u>

10. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2004	31 March 2003
	£	£
Bank loan	-	552,064
Amount due to other group undertakings	7,838,101	7,838,101
	<u>7,838,101</u>	<u>8,390,165</u>

The bank loan was taken out on 24 March 1997 for £800,000. The loan was repayable over 15 years in equal monthly instalments. The interest rate was fixed for 10 years at 8.875% and thereafter at a floating rate of 1.625% over the bank's base rate.

The bank loan and overdraft were repayable as shown in the schedule below as at 31 March 2003. The full value of this loan was, however, repaid in May 2003 following the receipt of funds from the sale of the property on which the loan was secured.

	31 March 2004	31 March 2003
	£	£
In one year or less	-	41,219
In more than one year but not more than two years	-	48,945
In more than two years but not more than five years	-	175,696
In more than five years	-	327,423
	<u>-</u>	<u>593,283</u>

The amounts due to other group undertakings are due in more than one year but not more than two years.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

11. PROVISIONS

	31 March 2004 £	31 March 2003 £
At the beginning of the year/period	1,214,193	758,000
Provision utilised in year/period	(1,119,024)	(758,000)
Provision for fundamental reorganisation created in the period/year	-	1,214,193
	<u>95,169</u>	<u>1,214,193</u>
At the end of the year/period		

Under FRS12 a provision for closure costs was created following the decision to close the studio in February 2003. At the 31 March 2004 £0.1m was left in the balance sheet, principally relating to obligations on a vacant property.

12. CALLED UP SHARE CAPITAL

	31 March 2004 £	31 March 2003 £
Authorised, allotted and fully paid 10,000 (2003: 10,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

13. PROFIT AND LOSS RESERVE

	31 March 2004 £	31 March 2003 £
At the beginning of the year/period	(5,812,008)	(2,932,897)
Profit/ (loss) for the year/period	<u>350,802</u>	<u>(2,879,111)</u>
At the end of the year/ period	<u>(5,461,206)</u>	<u>(5,812,008)</u>

14. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' DEFICIT

	31 March 2004 £	31 March 2003 £
At the beginning of the year/period	(5,802,008)	(2,922,897)
Profit/ (loss) for the year/period	<u>350,802</u>	<u>(2,879,111)</u>
At the end of the year/ period	<u>(5,461,206)</u>	<u>(5,802,008)</u>

15. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary within the Infogrames Entertainment SA group and utilises the exemption contained in Financial Reporting Standard 8 – "Related Party Disclosures", not to disclose any transactions with entities that are part of the group.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

16. ULTIMATE PARENT COMPANY AND CONTROL

The company is a wholly-owned subsidiary of Stewart Holdings Limited, a company incorporated in Great Britain. This company is also the immediate controlling entity.

The ultimate parent company and ultimate controlling entity of the company is Infogrames Entertainment SA a company incorporated in France. This company is also the parent company of the smallest and largest group of which the company is a member, and for which group financial statements are drawn up. Copies of the group financial statements can be obtained from the company's registered office.