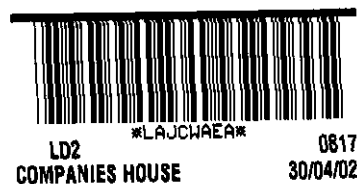


Company Registration No. 2133521

**INFOGRAMS UNITED KINGDOM
LIMITED**

Report and Financial Statements

30 June 2001



**Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR**

INFOGRAMES UNITED KINGDOM LIMITED

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INFOGRAMES UNITED KINGDOM LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D C Ward
C Sapet
T J Schmider
B Y J Bonnell
FMA Chesnais (appointed 27 March 2002)

SECRETARY

M Lanne (resigned 31 July 2000)
A Carroll (appointed 31 July 2000)

REGISTERED OFFICE

Landmark House
Hammersmith Bridge Road
London
W6 9EJ

BANKERS

Deutsche Bank AG London
6 Bishopsgate
London
EC2P 2AT

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

INFOGRAMES UNITED KINGDOM LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2001.

ACTIVITIES

The company's principal activity during the year was the development and distribution of interactive entertainment software.

REVIEW OF DEVELOPMENTS

On 20 September 2000, the company issued 18,305,329 additional ordinary shares to its parent, Ocean Holdings Limited. A promissory note from the ultimate parent company, Infogrames Entertainment SA, to Ocean Holdings was reassigned to Infogrames United Kingdom Limited as consideration for the issue of shares. Existing debts between Infogrames United Kingdom Limited and Infogrames Entertainment SA were offset against the promissory note.

The results for the year are shown in the profit and loss account on page 5. There have been no significant developments in the business of the company during the year.

DIVIDENDS AND RESULT FOR THE YEAR

The losses for the current and prior years are shown on page 5. The directors do not recommend the payment of a dividend (2000 - £nil).

FUTURE PROSPECTS

The directors forecast a year of consolidation following the strategic acquisitions of its parent company, Infogrames Entertainment SA, in prior periods.

DIRECTORS AND THEIR INTERESTS

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

D C Ward
C Sapet
T J Schmider
B Y J Bonnell
FMA Chesnais (appointed 27 March 2002)

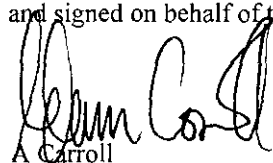
None of the directors had any interests in the shares of the company or any other group company at 30 June 2001 except as noted below. Directors' interests in the share capital of the ultimate parent company are disclosed in the financial statements of that company, Infogrames Entertainment SA.

D C Ward owned one share in the company jointly with Ocean Holdings Limited.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



A Carroll

Secretary

24 APRIL 2002

INFOGRAMES UNITED KINGDOM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 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 MEMBERS OF INFOGRAMES UNITED KINGDOM LIMITED

We have audited the financial statements of Infogrames United Kingdom Limited for the year ended 30 June 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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.

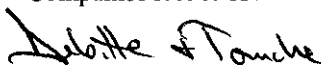
Basis of opinion

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 30 June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants and
Registered Auditors

30 April

2002

INFOGRAMMES UNITED KINGDOM LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 June 2001

	Note	2001 £	2001 £	2000 £	2000 £
TURNOVER	2		41,251,602		40,076,412
Cost of sales			(38,645,439)		(39,730,853)
GROSS PROFIT			2,606,163		345,559
Exceptional administrative expenses	4	(5,686,529)		-	
Other administrative expenses		(4,534,630)		(4,133,400)	
Total administrative expenses			(10,221,159)		(4,133,400)
OPERATING LOSS	4		(7,614,996)		(3,787,841)
Interest receivable and similar income	5		203,071		3,530,761
Interest payable and similar charges	6		(2,049,427)		(1,729,842)
LOSS ON ORDINARY ACTIVITIES BEFORE AFTER TAXATION AND FOR THE FINANCIAL YEAR	15		(9,461,352)		(1,986,922)

All turnover and operating loss for the current and prior year relate to continuing activities.

The company has no recognised gains or losses in the current and prior year other than those above and accordingly no statement of total recognised gains and losses is presented.

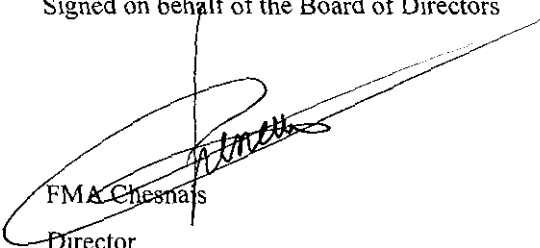
INFOGRAMES UNITED KINGDOM LIMITED

BALANCE SHEET 30 June 2001

	Note	2001 £	2001 £	2001 £	2000 £
FIXED ASSETS					
Tangible assets	8	907,812		1,210,431	
Investments	9	<u>1,707,030</u>		<u>1,707,032</u>	
			2,614,842		2,917,463
CURRENT ASSETS					
Stocks	10	2,762,268		3,271,325	
Debtors	11	20,109,883		16,208,322	
Cash at bank		<u>1,593,474</u>		<u>231,741</u>	
		24,465,625		19,711,388	
CREDITORS: amounts falling due within one year	12	<u>(24,329,006)</u>		<u>(28,721,367)</u>	
NET CURRENT LIABILITIES			(136,619)		(9,009,979)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,751,461</u>		<u>(6,092,516)</u>
CAPITAL AND RESERVES					
Called up share capital	14		18,306,329		1,000
Share premium account			461,997		461,997
Profit and loss account	15		<u>(16,016,865)</u>		<u>(6,555,513)</u>
Equity shareholders' funds/(deficit)			<u>2,751,461</u>		<u>(6,092,516)</u>

These financial statements were approved by the Board of Directors on **24 APRIL** 2002.

Signed on behalf of the Board of Directors


FMA Chesnais

Director

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidated accounts

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirements to prepare group accounts. The company's results are included in the consolidated accounts of its ultimate parent company, Infogrames Entertainment SA.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-term leasehold improvements	Over the term of the lease
Motor vehicles	25%
Fixtures, fittings, tools and equipment	25%

Investments

Investments held as fixed assets are stated at cost less provision for impairment, if any.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for sale, the weighted average purchase price is used. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded using the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash flow statement

The company has not prepared a cash flow statement as it was a wholly owned subsidiary throughout the period and the parent company's consolidated financial statements are publicly available.

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

1. ACCOUNTING POLICIES (continued)

Royalties and licensing agreements

The company enters into royalty and licensing agreements. Licensing charges and royalties are charged to the profit and loss account in the period in which the liability is incurred. However, in cases where the company is required to make advance payments, these are recorded as a prepayment and a proportion of these costs is written off as the unit sales of the related computer software or games cartridges are made. Royalty income is included in the profit and loss account at the time the software master disks are released.

Development costs

External costs incurred in developing new products are deferred and shown as an asset in the balance sheet where such products are considered technically feasible and commercially viable. Deferred external development costs are included in debtors and are written off against income from the date of the product launch. Internal development costs are expensed when incurred.

Pension scheme

The company operated a defined contribution pension scheme during the period, all related costs have been expensed in the profit and loss account as incurred.

Financial instruments

The company entered into interest rate swap agreements with a third party bank. The purpose of these financial instruments is solely to hedge convertible bonds issued by the ultimate parent company. Accordingly, these swaps have been accounted for as hedging instruments.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the principal activity of the company.

	2001 £	2000 £
Geographical analysis by destination		
UK	28,484,691	22,190,773
European Union (excluding UK)	8,249,243	13,093,538
Rest of the world	4,517,668	4,792,101
	<u>41,251,602</u>	<u>40,076,412</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Directors' emoluments	<u>125,000</u>	<u>125,000</u>
Remuneration of the highest paid director	<u>125,000</u>	<u>125,000</u>

The other directors were paid for their services to this company by Infogrames Entertainment S.A. Full emoluments disclosures are given in the accounts of Infogrames Entertainment S.A.

	No.	No.
Average number of persons employed		
Office and management	59	66
Software development	51	37
	<u>110</u>	<u>103</u>

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,658,854	3,200,762
Social security costs	361,092	278,068
Pension costs	60,472	-
	<u>4,080,418</u>	<u>3,478,830</u>

No pension contributions were made by the company in respect of the highest paid director.

4. OPERATING LOSS

	2001 £	2000 £
Operating loss is after charging:		
Loss on disposal of fixed assets	2,290	11,016
Restructuring costs	-	569,033
Exceptional items		
Reorganisation costs	2,124,400	-
Increase in credit note provision	2,244,000	-
Write off of advance royalties	1,318,129	-
Depreciation and amortisation		
Owned assets	354,418	429,667
Leased assets	-	12,816
Rentals under operating leases		
Hire of plant and machinery	105,574	79,848
Other operating leases	1,250,096	645,105
Exchange loss	106,413	354,861
Auditors' remuneration - audit	50,000	40,000
- non audit	17,239	64,982
	<u> </u>	<u> </u>

Exceptional items

Re-organisation costs

Following the acquisition of GT Interactive in March 2000 and Hasbro Interactive in January 2001 by the ultimate holding company, Infogrames UK has incurred costs absorbing the UK companies of the acquired entities and fundamental restructuring of its organisation.

Write off of advanced royalties

Due to a change in the Infogrames group's strategic focus, it was decided that the advanced royalties capitalised in prior periods were no longer likely to be recoverable and the amounts were provided for in full.

Increase in credit note provision

Additional provisions were booked to cover issues arising from the merging of the business of Infogrames UK, and the UK entities of GT Interactive and Hasbro Interactive.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £	2000 £
Bank interest	12,008	56,680
Other interest	191,063	3,474,081
	<u>203,071</u>	<u>3,530,761</u>

INFOGRAMS UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans, overdrafts and other loans repayable within five years	103,175	244,670
Finance leases and hire purchase contracts	815	8,228
Interest on balances with other group undertakings	1,945,437	1,476,944
	<u>2,049,427</u>	<u>1,729,842</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge / (credit) for the financial year (2000 - £nil). The company has tax losses available for future relief of approximately £27.2 million (2000 - £18.7 million) subject to agreement with the Inland Revenue. Credit for these losses has not been taken.

8. TANGIBLE FIXED ASSETS

	Short-term leasehold improve- ments £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 July 2000	935,642	53,782	1,493,397	2,482,821
Additions	16,373	37,900	34,502	88,775
Disposals	-	(53,782)	-	(53,782)
At 30 June 2001	<u>952,015</u>	<u>37,900</u>	<u>1,527,899</u>	<u>2,517,814</u>
Depreciation				
At 1 July 2000	243,991	5,602	1,022,797	1,272,390
Charge for the year	95,682	12,784	245,952	354,418
Disposals	-	(16,806)	-	(16,806)
At 30 June 2001	<u>339,673</u>	<u>1,580</u>	<u>1,268,749</u>	<u>1,610,002</u>
Net book value				
At 30 June 2001	<u>612,342</u>	<u>36,320</u>	<u>259,150</u>	<u>907,812</u>
At 30 June 2000	<u>691,651</u>	<u>48,180</u>	<u>470,600</u>	<u>1,210,431</u>

9. FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
Cost and net book value	
At 1 July 2000	1,707,032
Disposals	(2)
At 30 June 2001	<u>1,707,030</u>

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

9. FIXED ASSETS INVESTMENTS (continued)

The companies in which the company's interest is more than 10% are as follows:

Subsidiary undertakings	Country of Incorporation	Principal activity	Percentage of shares held
Curved Logic Limited	Great Britain	Software development	100%
Maritquest Limited	Great Britain	Holding company	100%
Infogrames Castlefield Limited	Great Britain	Software development	100%
Associated undertakings			
Bizarre Love Triangle Limited	Great Britain	Sales promotion	33.3%

10. STOCKS

	2001 £	2000 £
Finished goods and goods for resale	2,762,268	3,271,325

11. DEBTORS

	2001 £	2000 £
Trade debtors	9,735,954	8,547,587
Amounts owed by group undertakings	7,642,582	5,467,447
Amounts owed by associated undertakings	56,526	88,483
Other debtors	557,274	3,800
Prepayments and accrued income	2,117,547	2,101,005
	20,109,883	16,208,322

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	1,505,601	3,357,749
Trade creditors	1,557,861	2,712,344
Obligations under finance leases	-	23,832
Amounts owed to group undertakings	17,269,169	21,589,213
Other taxes and social security	1,381,351	483,256
Accruals and deferred income	2,615,024	554,973
	24,329,006	28,721,367

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

13. FINANCIAL INSTRUMENTS

The company entered into two swap agreements with a third party bank. The purpose of these swaps is to hedge two convertible bonds issued by the ultimate parent company, Infogrames Entertainment S.A. Accordingly, these swaps have been accounted for as hedging instruments.

The aggregate values of the two swaps at 30 June 2001 are:

	£
Carrying value (being an accrual for amounts due at the year end under the swap agreements)	(468,784)
Fair value (asset)	4,910,255

14. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
18,306,329 ordinary shares of £1 each	18,306,329	50,000
Called up, allotted and fully paid		
18,306,329 ordinary shares of £1 each	18,306,329	1,000

15. PROFIT AND LOSS ACCOUNT

	2001 £	2000 £
Retained loss brought forward	(6,555,513)	(21,110,520)
Loss for the year retained	(9,461,352)	(1,986,922)
Waiver of loan financing	-	16,541,929
Retained loss carried forward	(16,016,865)	(6,555,513)

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(DEFICIT)

	2001 £	2000 £
Loss for the year	(9,461,352)	(1,986,922)
Waiver of loan financing	-	16,541,929
New share issue	18,305,329	-
Net increase in shareholders' funds	8,843,977	14,555,007
Opening shareholders' deficit	(6,092,516)	(20,647,523)
Closing shareholders' funds/(deficit)	2,751,461	(6,092,516)

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

17. OPERATING LEASE COMMITMENTS

At 30 June 2001 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2001 £	Other 2001 £	Land and buildings 2000 £	Other 2000 £
Leases which expire:				
Within one year	105,420	59,848	-	168,521
Within two to five years	834,200	189,253	834,200	59,848

18. DEFERRED TAXATION

A deferred tax asset of £9,367,827 (2000 - £6,569,842) has not been recognised in respect of the losses carried forward (see note 7).

19. ULTIMATE PARENT COMPANY

The immediate parent company is Ocean Holdings Limited, a company incorporated in Great Britain.

At the year end the parent of largest and smallest group in which the results of the company were consolidated and for which group accounts are prepared was Infogrames Entertainment SA, a company incorporated in France, being the ultimate parent company and ultimate controlling entity. The accounts of this group may be obtained from its registered office, at 1 Place Verrazzano, 69252 Lyon, Cedex 09, France.

20. RELATED PARTY TRANSACTIONS

Fees negotiated at arms length of £88,873 (2000 - £86,153) were charged by Bizarre Love Triangle Limited for marketing and distribution services during the year. £136,383 payments (2000 - £nil) relating to fees at arm's length and reorganisation costs were made during the year and a balance of £16,526 (2000 - £48,483) was outstanding at the year end. In addition the company loaned Bizarre Love Triangle Limited £40,000 interest free in 1998 which remains outstanding at 30 June 2001. This loan has no fixed repayment terms.

Bizarre Love Triangle Limited is an associated undertaking as detailed in note 9.

The company has taken advantage of paragraph 3(c) of FRS8 in not disclosing transactions with members of the same group.

21. POST BALANCE SHEET EVENT

At 30 June 2001, the company was the subject of certain legal claims, against which it had made counter-claims. Full and final settlement of all claims was reached on 22 October 2001, with the agreement that the company would pay a total of £0.6 million to acquire certain rights in relation to a number of software titles. Accordingly no provision has been made in balance sheet as at 30 June 2001.