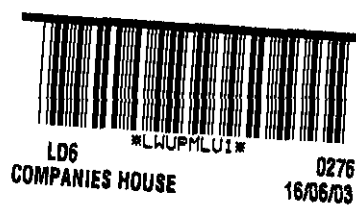


**INFOGRAMES UNITED KINGDOM
LIMITED**

Report and Financial Statements

30 June 2002

**Deloitte & Touche
London**



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
F M A Chesnais (appointed 27 March 2002)

SECRETARY

A Carroll

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
180 The Strand
London
WC2R 1BL

INFOGRAMES UNITED KINGDOM LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

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 (2001- £nil).

IMPORTANT EVENTS OCCURING AFTER THE END OF THE YEAR

Further restructuring has taken place since the balance sheet date, resulting in additional reorganisation costs.

In October 2002 and January 2003 both of the swap agreements were closed out resulting in a loss.

In March 2003 the full value of the loan owed by the company to Ocean International Limited was waived by Ocean International Limited.

The financial implications of these events are disclosed in notes 14 and 23 to the accounts.

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

F M A Chesnais (appointed 27 March 2002)

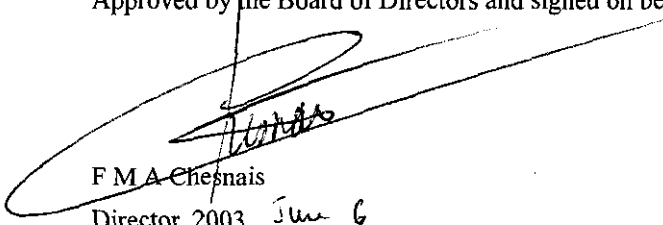
None of the directors had any interests in the shares of the company or any other group company at 30 June 2002 except as noted below. Directors' interests in the share capital of the ultimate parent company are disclosed in the financial statements of that company, Infogrames Entertainment SA.

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



F M A Chesnais

Director 2003 Jun 6

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 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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.

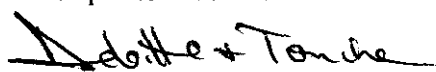
Basis of opinion

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 2002 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

16 June 2003

INFOGRAMES UNITED KINGDOM LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2002

	Note	2002 £	2001 £
TURNOVER	2	41,588,924	41,251,602
Cost of sales		<u>(40,210,808)</u>	<u>(38,645,439)</u>
GROSS PROFIT		1,378,116	2,606,163
Exceptional administrative expenses	4	(833,229)	(5,686,529)
Other administrative expenses		<u>(5,533,581)</u>	<u>(4,534,630)</u>
Total administrative expenses		<u>(6,366,810)</u>	<u>(10,221,159)</u>
OPERATING LOSS	4	(4,988,694)	(7,614,996)
Exceptional items	5	(5,120,544)	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>(10,109,238)</u>	<u>(7,614,996)</u>
Interest receivable and similar income	6	85,627	203,071
Interest payable and similar charges	7	<u>(2,043,822)</u>	<u>(2,049,427)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION AND FOR THE FINANCIAL YEAR	17	<u><u>(12,067,433)</u></u>	<u><u>(9,461,352)</u></u>

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

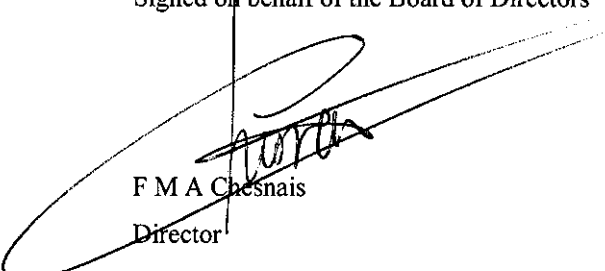
BALANCE SHEET

30 June 2002

	Note	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible assets	9	160,796		907,812	
Investments	10	<u>1,707,030</u>		<u>1,707,030</u>	
			1,867,826		2,614,842
CURRENT ASSETS					
Stocks	11	2,202,730		2,762,268	
Debtors	12	10,797,718		20,109,883	
Cash at bank		<u>7,589,743</u>		<u>1,593,474</u>	
		20,590,191		24,465,625	
CREDITORS: amounts falling due within one year	13	<u>(27,169,413)</u>		<u>(24,329,006)</u>	
NET CURRENT (LIABILITIES) / ASSETS			<u>(6,579,222)</u>		<u>136,619</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(4,711,396)</u>		<u>2,751,461</u>
PROVISION FOR LIABILITIES AND CHARGES	14		<u>(4,604,576)</u>		<u>-</u>
NET (LIABILITIES) / ASSETS			<u>(9,315,972)</u>		<u>2,751,461</u>
CAPITAL AND RESERVES					
Called up share capital	16		18,306,329		18,306,329
Share premium account			461,997		461,997
Profit and loss account	17		<u>(28,084,298)</u>		<u>(16,016,865)</u>
Equity shareholders' (deficit) / funds			<u>(9,315,972)</u>		<u>2,751,461</u>

These financial statements were approved by the Board of Directors on June 6 2003.

Signed on behalf of the Board of Directors


F M A Chesnais
Director

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

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 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.

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.

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

1. ACCOUNTING POLICIES (continued)

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.

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 enters into interest rate swap agreements with a sole view to hedge the interest rate risk associated with convertible bonds issued by the ultimate parent company. All such transactions have been designated as hedges and are accounted for on an accruals basis.

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.

	2002 £	2001 £
Geographical analysis by destination		
UK	29,457,613	28,484,691
European Union (excluding UK)	7,165,380	8,249,243
Rest of the world	4,965,931	4,517,668
	<u>41,588,924</u>	<u>41,251,602</u>

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' remuneration		
Directors' emoluments	141,113	125,000
Remuneration of the highest paid director	141,113	125,000
Compensation for loss of office as executive director:		
Contribution to money purchase pension scheme	46,800	-
Tangible fixed assets at market value	31,846	-
	78,646	-

D C Ward's directorship changed from executive to non-executive with effect from 1 July 2002.

The remuneration of the other directors was borne 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	57	59
Software development	32	51
	89	110
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,571,961	3,658,854
Social security costs	384,425	361,092
Pension costs	66,982	60,472
	4,023,368	4,080,418

No pension contributions were made by the company in respect of the highest paid director except as disclosed above.

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

4. OPERATING LOSS

	2002 £	2001 £
Operating loss is after charging:		
Loss on disposal of fixed assets	2,436	2,290
Exceptional items		
Reorganisation costs	436,508	2,124,400
Increase in credit note provision	-	2,244,000
Write off of royalty advances	396,721	1,318,129
Depreciation and amortisation		
Owned assets	279,105	354,418
Rentals under operating leases		
Hire of plant and machinery	26,649	105,574
Other operating leases	1,006,987	1,250,096
Exchange loss	750,029	106,413
Auditors' remuneration		
- audit	56,004	50,000
- non audit	45,000	17,239

Exceptional items

Re-organisation costs:

Comprises redundancy payments to various Infogrames UK employees as a result of internal restructuring.

Write off of royalty advances:

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

5. EXCEPTIONAL ITEMS

£515,968 (2001 - £nil) relates to short-term leasehold improvements written off as a result of internal restructuring.

£4,604,576 (2001 - £nil) represents the subsequent loss on the sale of the two SWAP deals held at 30 June 2002 (note 23).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Bank interest	85,627	12,008
Other interest	-	191,063
	<u>85,627</u>	<u>203,071</u>

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans, overdrafts and other loans repayable within five years	1,314	103,175
Finance leases and hire purchase contracts	-	815
Interest on balances with other group undertakings	2,042,508	1,945,437
	<u>2,043,822</u>	<u>2,049,427</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for the financial year (2001 - £nil).

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	2002 %	2001 %
Standard tax rate for the period as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	(18)	(7)
Utilisation of tax losses	(6)	(16)
Movement in short term timing differences	-	(3)
Free Group relief surrendered	(6)	(5)
	<u>-</u>	<u>-</u>
Current tax rate for period as a percentage of profits	-	-

The company has tax losses available for future relief of approximately £24.2 million (2001 – £27.2 million) subject to agreement with the Inland Revenue. Credit for these losses has not been taken.

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS Year ended 30 June 2002

9. TANGIBLE FIXED ASSETS

	Short-term leasehold improve- ments £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 July 2001	952,015	37,900	1,527,899	2,517,814
Additions	35,471	-	15,022	50,493
Disposals	(980,739)	-	(2,436)	(983,175)
At 30 June 2002	6,747	37,900	1,540,485	1,585,132
Depreciation				
At 1 July 2001	339,673	1,580	1,268,749	1,610,002
Charge for the year	125,604	9,474	144,027	279,105
Disposals	(464,771)	-	-	(464,771)
At 30 June 2002	506	11,054	1,412,776	1,424,336
Net book value				
At 30 June 2002	6,241	26,846	127,709	160,796
At 30 June 2001	612,342	36,320	259,150	907,812

10. FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
Cost and net book value	
At 1 July 2001	1,707,030
Additions / Disposals	-
At 30 June 2002	1,707,030

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%

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

11. STOCKS

	2002 £	2001 £
Finished goods and goods for resale	<u>2,202,730</u>	<u>2,762,268</u>

12. DEBTORS

	2002 £	2001 £
Trade debtors	6,829,415	9,735,954
Amounts owed by group undertakings	3,424,798	7,642,582
Amounts owed by associated undertakings	53,567	56,526
Other debtors	3,273	557,274
Prepayments and accrued income	486,665	2,117,547
	<u>10,797,718</u>	<u>20,109,883</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	-	1,505,601
Trade creditors	2,770,260	1,557,861
Amounts owed to group undertakings	20,909,939	17,269,169
Other taxes and social security	748,345	1,381,351
Accruals and deferred income	2,740,869	2,615,024
	<u>27,169,413</u>	<u>24,329,006</u>

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

14. PROVISION FOR LIABILITIES AND CHARGES

	2002 £	2001 £
At the beginning of the year	-	-
Provision for the sale of swap agreements	4,604,576	-
At the end of the year	<u>4,604,576</u>	<u>-</u>

A provision of £4,604,576 (2001 - £nil) has been made for the subsequent loss on the sale of the two SWAP deals held at 30 June 2002 (note 23).

15. FINANCIAL INSTRUMENTS

The company has entered into two swap agreements with a third party bank. The sole purpose of entering into these swaps was to hedge the interest rate risk associated with convertible bonds issued by the ultimate parent company Infogrames Entertainment S.A. Both swaps were designated as hedges and are accounted for on an accruals basis.

The aggregate values of the two swaps at 30 June 2002 are:	£
Carrying value (being an accrual for amounts due at the year end under the swap agreements)	(474,999)
Fair value (liability)	<u>(6,328,270)</u>

A provision of £4,604,576 has been recognised at 30 June 2002 in respect of the subsequent loss incurred on the sales of the two SWAP deals in October 2002 and January 2003 (notes 5 and 23).

16. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
18,306,329 ordinary shares of £1 each	<u>18,306,329</u>	<u>18,306,329</u>
Called up, allotted and fully paid		
18,306,329 ordinary shares of £1 each	<u>18,306,329</u>	<u>18,306,329</u>

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

17. PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
Retained loss brought forward	(16,016,865)	(6,555,513)
Loss for the year retained	(12,067,433)	(9,461,352)
Retained loss carried forward	<u>(28,084,298)</u>	<u>(16,016,865)</u>

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

	2002 £	2001 £
Loss for the year	(12,067,433)	(9,461,352)
New share issue	-	18,305,329
Net (decrease) / increase in shareholders' funds	(12,067,433)	8,843,977
Opening shareholders' funds / (deficit)	2,751,461	(6,092,516)
Closing shareholders' (deficit) / funds	<u>(9,315,972)</u>	<u>2,751,461</u>

19. OPERATING LEASE COMMITMENTS

At 30 June 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Leases which expire:				
Within one year	-	26,673	105,420	59,848
Within two to five years	857,028	88,378	834,200	189,253

INFOGRAMES UNITED KINGDOM LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

20. DEFERRED TAXATION

A deferred tax asset of £8,840,000 (2001 - £9,367,827) has not been recognised in respect of the losses carried forward (see note 8).

21. ULTIMATE PARENT COMPANY

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

At the year end the parent company of the largest and smallest group in which the results of the company were consolidated and for which group accounts were 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.

22. RELATED PARTY TRANSACTIONS

The company has a debtor balance of £53,567 (2001 - £16,526) with Bizarre Love Triangle 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 2002. This loan has no fixed repayment terms.

Bizarre Love Triangle Limited is an associated undertaking as detailed in note 10.

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

23. POST BALANCE SHEET EVENTS

Further restructuring has taken place since the balance sheet date, resulting in additional reorganisation costs of £631,522.

Both of the swap agreements referred to in note 15 were closed out subsequent to year end. This has resulted in a loss of £1,391,088 incurred in October 2002 and a further loss of £3,213,488 incurred in January 2003, resulting in a total loss of £4,604,576.

At 30 June 2002 the company had a long term loan balance of £6,506,852 owing to Ocean International Limited, a parent company. In March 2003 the full value of the loan was waived by Ocean International Limited.