Company Registration No. 2133521

# ATARI UNITED KINGDOM LIMITED

## Report and Financial Statements

## 31 March 2004

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# ATARI UNITED KINGDOM LIMITED

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# ATARI UNITED KINGDOM LIMITED

# OFFICERS AND PROFESSIONAL ADVISERS

## DIRECTORS

C Sapet
T J Schmider
B Y J Bonnell
F M A Chesnais
D C Ward

## SECRETARY

A Carroll

## REGISTERED OFFICE

Landmark House
Hammersmith Bridge Road
London
W6 9EJ

## BANKERS

Deutsche Bank AG London
6 Bishopsgate
London
EC2P 2AT

Societe Generale London
SG House
41 Tower Hill
London
EC3N 4SG

## AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

# ATARI UNITED KINGDOM LIMITED

## DIRECTORS' REPORT

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

### ACTIVITIES

The company's principal activity during the year was the publishing 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 loss for the current year and for the prior period are shown on page 5. The directors do not recommend the payment of a dividend (2003- £nil).

### FUTURE PROSPECTS

The directors forecast continuing profitability in the coming year.

### DIRECTORS AND THEIR INTERESTS

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

C Sapet
T J Schmider
B Y J Bonnell
F M A Chesnais
D C Ward

None of the directors had any interests in the shares of the company or any other group company at 31 March 2004 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

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will 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

20/12/2004

# ATARI UNITED KINGDOM LIMITED

## 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 MEMBERS OF ATARI UNITED KINGDOM LIMITED

We have audited the financial statements of Atari United Kingdom Limited for the year ended 31 March 2004 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.

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 loss 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

6 January 2005

# ATARI UNITED KINGDOM LIMITED

## PROFIT AND LOSS ACCOUNT
## Year ended 31 March 2004

| | Note | | Year ended 31 March 2004 | | Nine month period ended 31 March 2003 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **TURNOVER** | 2 | | 45,622,768 | | 36,412,048 |
| Cost of sales | | | (34,870,367) | | (23,636,691) |
| **GROSS PROFIT** | | | 10,752,401 | | 12,775,357 |
| Distribution costs | | (9,450,287) | | (9,907,450) | |
| Exceptional administrative expenses | 4 | (305,288) | | (558,284) | |
| Other administrative expenses | | (2,791,061) | | (2,006,128) | |
| Total operating expenses | | | (12,546,636) | | (12,471,862) |
| **OPERATING (LOSS) / PROFIT** | 4 | | (1,794,235) | | 303,495 |
| **(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST** | | | (1,794,235) | | 303,495 |
| Interest receivable and similar income | 5 | | 1,231,702 | | 262,346 |
| Interest payable and similar charges | 6 | | (247,793) | | (729,666) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION AND FOR THE FINANCIAL YEAR / PERIOD** | | | (810,326) | | (163,825) |

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

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

# ATARI UNITED KINGDOM LIMITED

## BALANCE SHEET
## 31 March 2004

| | Note | £ | 2004 £ | £ | 2003 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 8 | 42,632 | | 73,500 | |
| Investments | 9 | 1,707,030 | | 1,707,030 | |
| | | | 1,749,662 | | 1,780,530 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 10 | 2,334,402 | | 3,607,827 | |
| Debtors | 11 | 12,909,196 | | 9,316,210 | |
| Cash at bank | | 63,038 | | 4,853,870 | |
| | | 15,306,636 | | 17,777,907 | |
| **CREDITORS: Amounts falling due within one year** | 12 | (14,121,921) | | (15,813,734) | |
| **NET CURRENT ASSETS** | | | 1,184,715 | | 1,964,173 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 2,934,377 | | 3,744,703 |
| **CREDITORS: Amounts falling due after one year** | 13 | | (6,717,648) | | (6,717,648) |
| **NET LIABILITIES** | | | (3,783,271) | | (2,972,945) |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 14 | | 18,306,329 | | 18,306,329 |
| Share premium account | | | 461,997 | | 461,997 |
| Profit and loss account | 15 | | (22,551,597) | | (21,741,271) |
| **EQUITY SHAREHOLDERS' DEFICIT** | | | (3,783,271) | | (2,972,945) |

These financial statements were approved by the Board of Directors on 20/12/ 2004.

Signed on behalf of the Board of Directors

F M A Chesnais
Director

# NOTES TO THE ACCOUNTS
## Year ended 31 March 2004

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies, which are consistent with the prior period, 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. Accordingly these financial statements present information about the company as an individual and not its group.

**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 |
| Fixtures, fittings, tools and equipment | 25% |
| Computer software | 33% |

**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.

## 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.

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | £ | £ |
| **Geographical analysis by destination** | | |
| UK | 36,683,036 | 28,573,701 |
| European Union (excluding UK) | 7,044,901 | 7,018,208 |
| Rest of the world | 1,894,831 | 820,139 |
| | 45,622,768 | 36,412,048 |

## 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any emlomuments from the company during the current year or previous accounting period

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | No. | No. |
| **Average number of persons employed** | | |
| Office and management | 36 | 50 |
| Software, publishing and development | 16 | 26 |
| | 52 | 76 |

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | £ | £ |
| **Staff costs during the year (including directors)** | | |
| Wages and salaries | 2,115,204 | 2,186,547 |
| Social security costs | 312,009 | 416,680 |
| Pension costs | 34,096 | 43,883 |
| | 2,461,309 | 2,647,110 |

Redundancy costs as part of the internal restructuring in the current year and prior period are disclosed in note 4.

## 4. OPERATING (LOSS) / PROFIT

| | | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|---|
| | | £ | £ |
| Operating profit is stated after charging/(crediting) the following: | | | |
| *Exceptional items:* | | | |
| Reorganisation costs | | 305,288 | 558,284 |
| Depreciation and amortisation: | | | |
| Owned assets | | 43,882 | 61,858 |
| Rentals under operating leases: | | | |
| Hire of plant and machinery | | 67,596 | 58,215 |
| Other operating leases | | 1,043,175 | 827,460 |
| Exchange gain | | (95,743) | (113,611) |
| Auditors' remuneration | - audit | 56,004 | 56,000 |
| | - non audit | 7,000 | 11,000 |

**Exceptional items**

Reorganisation costs in the current year and prior period comprise redundancy payments as a result of internal restructuring.

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | £ | £ |
| Bank interest | 102,514 | 172,814 |
| Other interest | 1,129,188 | 89,532 |
| | 1,231,702 | 262,346 |

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | £ | £ |
| Bank loans, overdrafts and other loans repayable within five years | 235,547 | - |
| Interest on balances with other group undertakings | 8,895 | 726,307 |
| Other interest payable | 3,351 | 3,359 |
| | 247,793 | 729,666 |

## 7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for the financial year (2003 - £nil).

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

The differences are explained below:

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | % | % |
| Standard tax rate for the period as a percentage of profits | 30 | 30 |
| Effects of: | | |
| Expenses not deductible for tax purposes | (3) | (154) |
| Capital allowances in excess of depreciation | 6 | 11 |
| Increase in tax losses | (44) | - |
| Utilisation of tax losses | - | (9) |
| Movement in short term timing differences | 11 | 122 |
| Current tax rate for period as a percentage of profits | - | - |

The company has tax losses available for future relief of approximately £29.6 million (Nine month period ended 31 March 2003 – £26.8 million) subject to agreement with the Inland Revenue. The asset would be recovered if there are sufficient future profits against which the losses can be utilised.

## 8. TANGIBLE FIXED ASSETS

| | Short-term leasehold improve-ments £ | Fixtures, fittings, tools and equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2003 | 6,747 | 1,541,893 | 1,548,640 |
| Additions | - | 13,014 | 13,014 |
| Disposals | - | - | - |
| At 31 March 2004 | 6,747 | 1,554,907 | 1,561,654 |
| **Depreciation** | | | |
| At 1 April 2003 | 1,012 | 1,474,128 | 1,475,140 |
| Charge for the year | 675 | 43,207 | 43,882 |
| Disposals | - | - | - |
| At 31 March 2004 | 1,687 | 1,517,335 | 1,519,022 |
| **Net book value** | | | |
| At 31 March 2004 | 5,060 | 37,572 | 42,632 |
| At 31 March 2003 | 5,735 | 67,765 | 73,500 |

There are additions of £9,680 relating to computer software within the fixtures, fittings, tools and equipment category.

## NOTES TO THE ACCOUNTS
## Year ended 31 March 2004

### 9. FIXED ASSETS INVESTMENTS

| | Shares in group undertakings £ |
|---|---|
| **Cost and net book value** | |
| At 1 April 2003 and at 31 March 2004 | 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 | Dormant | 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

| | 2004 £ | 2003 £ |
|---|---|---|
| Finished goods and goods for resale | 2,334,402 | 3,607,827 |

### 11. DEBTORS

| | 2004 £ | 2003 £ |
|---|---|---|
| Trade debtors | 2,809,418 | 4,895,555 |
| Amounts owed by group undertakings | 8,999,187 | 2,581,698 |
| Amounts owed by associated undertakings | 31,301 | 74,566 |
| Other debtors | 156,757 | 863,808 |
| *Prepayments and accrued income* | 912,533 | 900,583 |
| | 12,909,196 | 9,316,210 |

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 £ | 2003 £ |
|---|---|---|
| Bank overdraft | 3,453,221 | 3,586,997 |
| Trade creditors | 1,096,073 | 1,646,174 |
| Amounts owed to group undertakings | 6,649,353 | 7,239,061 |
| Other taxes and social security | 63,006 | 71,696 |
| Accruals and deferred income | 2,860,268 | 3,269,806 |
| | 14,121,921 | 15,813,734 |

The bank overdraft is secured by a fixed and floating charge over the company's assets.

## 13. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

| | 2004 £ | 2003 £ |
|---|---|---|
| Amounts owed to group undertakings | 6,717,648 | 6,717,648 |

## 14. CALLED UP SHARE CAPITAL

| | 2004 £ | 2003 £ |
|---|---|---|
| **Authorised** | | |
| 18,355,329 ordinary shares of £1 each | 18,355,329 | 18,355,329 |
| **Called up, allotted and fully paid** | | |
| 18,306,329 ordinary shares of £1 each | 18,306,329 | 18,306,329 |

## NOTES TO THE ACCOUNTS
## Year ended 31 March 2004

### 15. PROFIT AND LOSS ACCOUNT

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | £ | £ |
| Retained loss brought forward | (21,741,271) | (28,084,298) |
| Loss for the year / period retained | (810,326) | (163,825) |
| Capital contribution | - | 6,506,852 |
| Retained loss carried forward | (22,551,597) | (21,741,271) |

**Capital contribution**

In March 2003 Ocean International Limited, a parent company, waived its long term loan balance of £6,506,852 due from the company.

### 16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

| | Year ended 31 March 2004 | Nine month period ended 31 March 2003 |
|---|---|---|
| | £ | £ |
| Loss for the year / period | (810,326) | (163,825) |
| Capital contribution | - | 6,506,852 |
| Net (decrease) / increase in shareholders' funds | (810,326) | 6,343,027 |
| Opening shareholders' deficit | (2,972,945) | (9,315,972) |
| Closing shareholders' deficit | (3,783,271) | (2,972,945) |

## 17. OPERATING LEASE COMMITMENTS

At 31 March 2004 the company was committed to making the following payments during the next year in respect of operating leases:

| | Land and buildings 2004 £ | Other 2004 £ | Land and buildings 2003 £ | Other 2003 £ |
|---|---|---|---|---|
| **Leases which expire:** | | | | |
| Within one year | 595,264 | 58,729 | - | 40,813 |
| Within two to five years | 505,145 | 30,075 | 1,043,286 | 62,981 |
| | 1,100,409 | 88,804 | 1,043,286 | 103,794 |

## 18. DEFERRED TAXATION

A deferred tax asset of £9,432,000 (2003 - £9,429,000) has not been recognised in respect of both trading and capital losses (see note 7). The asset would be recovered if there are sufficient future profits against which the losss can be utilised.

## 19. 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.

## 20. RELATED PARTY TRANSACTIONS

The company has a debtor balance of £31,301 (2003 – £74,566) with Bizarre Love Triangle Limited at the year end. The company loaned Bizarre Love Triangle Limited £40,000 interest free in 1998 which remains outstanding at 31 March 2004. 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.