

**COMBINED
DISTRIBUTION
(HOLDINGS) LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 MARCH 1999

Company No 3136477



COMBINED DISTRIBUTION (HOLDINGS) LIMITED
FINANCIAL STATEMENTS
For the year ended 31 March 1999

Company registration number :	3136477
Registered Office :	Unit 4 & 5 Holford Way Holford Birmingham B6 7AX
Directors :	Richard Steele Norman Brown Andrew Waterhouse Lawrence Goldberg Robert Kotick Brian Kelly Robert Dewar Steven Varnish
Secretary :	Ian Zant-Boer
Bankers :	Bank of Scotland Birmingham
Solicitors :	Osborne Clarke Solicitors London
Auditors	KPMG Registered auditors Chartered accountants Reading

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
FINANCIAL STATEMENTS
For the year ended 31 March 1999

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COMBINED DISTRIBUTION (HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
For the period ended 31 March 1999

The directors present their report together with financial statements for the period ended 31 March 1999.

Principal activities

The group is principally engaged in the distribution of entertainment software, games consoles, low cost business software and peripherals and the provision of distribution services to software publishers.

Business Review

There was a profit for the period after taxation amounting to £4,228,000 (1998: £3,110,000). This was after amortisation of goodwill amounting to £200,000 (1998: £204,000). Dividends of £nil (1998: £69,000) have been paid leaving £4,228,000 (1998: £3,041,000) retained.

Year 2000

The directors have considered the risks and uncertainties associated with the Year 2000 problem. The company has implemented a plan to address these issues and its relationships with customers, suppliers and other relevant parties. The costs incurred to date have been written off to the profit and loss account and future costs are not expected to be significant.

Directors

Details of directors during the period are set out below.

The interests of the directors in office at the end of the period in the shares of the company as at 31st March 1999 were as follows :

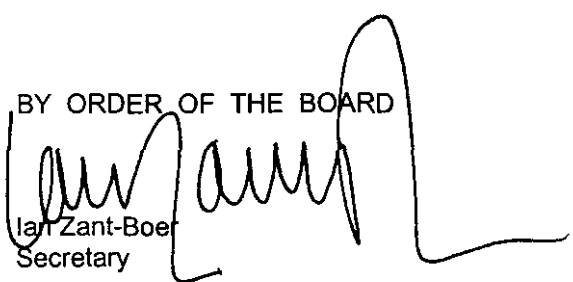
	31 st March 1999	31 st March 1998
	Number of Ordinary Shares	Number of Ordinary Shares
Richard Steele	-	-
Norman Brown	-	-
Andrew Waterhouse	-	-
Lawrence Goldberg	-	-
Robert Kotick	-	-
Brian Kelly	-	-
Robert Dewar	-	-
Steven Varnish (appointed 19 August 1998)	-	-

For shareholdings in the ultimate parent company during the year refer to those accounts.

Auditors

KPMG offer themselves for reappointment as auditors in accordance with section 385 of the companies Act 1985.

BY ORDER OF THE BOARD


Ian Zant-Boer
Secretary

COMBINED DISTRIBUTION (HOLDINGS)LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 March 1999

Directors' responsibilities for the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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 subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS KPMG TO THE MEMBERS OF COMBINED DISTRIBUTION (HOLDINGS) LIMITED

For the year ended 31 March 1999

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with 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 group'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 affairs of the company and the group as at 31 March 1999 and the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
READING**

17 November 1999

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 1999

	Note	12 Months ended 31 March 1999 £000	11 Months ended 31 March 1998 £000
Turnover	1	162,584	126,030
Cost of sales		<u>(147,149)</u>	<u>(113,389)</u>
Gross profit		15,435	12,641
Distribution costs		(5,065)	(4,075)
Administrative expenses		(4,400)	(3,735)
Operating profit		<u>5,970</u>	<u>4,831</u>
Other interest receivable and similar income	2	316	171
Interest payable and similar charges	3	(113)	(326)
Profit on ordinary activities before taxation		<u>6,173</u>	<u>4,676</u>
Tax on profit on ordinary activities	5	(1,945)	(1,566)
Profit for the financial year	6	<u>4,228</u>	<u>3,110</u>
Dividends			
Equity	7	-	-
Non-equity	7	-	(69)
Profit transferred to reserves	18	<u>4,228</u>	<u>3,041</u>

There were no other recognised gains or losses other than the profit for the financial period.

All the group's results relate to continuing operations for the period ended 31 March 1999 and 31 March 1998.

The accompanying accounting policies and notes form an integral part of these financial statements.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
CONSOLIDATED BALANCE SHEET
At 31 March 1999

	Note	At 31 March 1999 £000	At 31 March 1998 £000
Fixed assets			
Intangible assets	8	3,444	3,643
Tangible assets	9	<u>1,305</u>	<u>779</u>
		<u>4,749</u>	<u>4,422</u>
Current assets			
Stock	11	4,799	3,791
Debtors	12	31,581	22,708
Cash at bank and in hand		<u>8,333</u>	<u>6,126</u>
		<u>44,713</u>	<u>32,625</u>
Creditors : amounts falling due within one year	13	(40,445)	(32,331)
Net current assets		<u>4,268</u>	<u>294</u>
Total assets less current liabilities		9,017	4,716
Creditors : amounts falling due after more than one year	14	(124)	(51)
Net Assets		<u>8,893</u>	<u>4,665</u>
Capital and reserves			
Called up share capital	17	215	215
Share premium account	18	885	885
Profit and loss account	18	7,793	3,565
Shareholder's funds	19	<u>8,893</u>	<u>4,665</u>
Equity shareholder's funds		6,987	3,665
Non- equity shareholders' funds		<u>1,906</u>	<u>1,000</u>
		<u>8,893</u>	<u>4,665</u>

The financial statements were approved by the Board of Directors on 19/10/99

Richard Steele



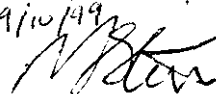
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
BALANCE SHEET
At 31 March 1999

	Note	At 31 March 1999 £000	At 31 March 1998 £000
Fixed assets			
Investments	10	<u>5,162</u> <u>5,162</u>	<u>5,162</u> <u>5,162</u>
Current assets			
Debtors	12	699	384
Cash at bank and in hand		<u>2</u> <u>701</u>	<u>3</u> <u>387</u>
Creditors : amounts falling due within one year	13	<u>(4,544)</u>	<u>(4,439)</u>
Net current liabilities		<u>(3,843)</u>	<u>(4,052)</u>
Total assets less current liabilities		<u>1,319</u>	<u>1,110</u>
Net Assets		<u>1,319</u>	<u>1,110</u>
Capital and reserves			
Called up share capital	17	215	215
Share premium account	18	885	885
Profit and loss account	18	219	10
Shareholder's funds		<u>1,319</u>	<u>1,110</u>

The financial statements were approved by the Board of Directors on

19/10/99


Richard Steele Director

The accompanying accounting policies and notes form an integral part of these financial statements.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous period and are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 1999. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised over its estimated useful life.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken to reserves.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost.

Under section 230 (4) of the companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are :

Fixture and fittings	25%	per annum straight line
Computer equipment	33.33%	per annum straight line
Leasehold alterations and improvements	20%	per annum straight line
Motor vehicles	25%	per annum reducing balance.

INVESTMENTS

Investments are included at cost less amounts written off.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

Consignment stocks are not valued in the balance sheet as title of the stock does not crystallise until sold on to a third party.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

PRINCIPAL ACCOUNTING POLICIES

DEFERRED TAXATION

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

FOREIGN CURRENCIES

Transactions on foreign currencies are translated at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments under them are charged to the profit and loss account on a straight line basis over the lease term.

CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

RELATED PARTIES

As the company is a wholly owned subsidiary of Activision Inc the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Activision Inc, within which this company is included, can be obtained from the address given in note 24.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

1 TURNOVER & PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The group turnover and profit before taxation are attributable to the distribution of entertainment software, games consoles, and low cost business software

	12 months ended 31 March 1999 £000	11 months ended 31 March 1998 £000
The profit on ordinary activities is stated after :		
Auditors' remuneration		
Audit services group	24	23
Non-audit services group	6	6
Audit services company	2	2
Non-audit services company	-	2
Depreciation and amortisation		
Goodwill	199	204
Tangible fixed assets, owned	335	286
Tangible fixed assets, held under finance leases and hire purchase contracts	113	65
Loss/(Profit) on disposal of fixed assets	6	(2)
Hire of plant and machinery	241	62
Other operating lease rentals	<u>289</u>	<u>344</u>

2 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME - GROUP

	12 months ended 31 March 1999 £000	11 months ended 31 March 1998 £000
Bank interest receivable	309	165
Other interest receivable	<u>7</u>	<u>6</u>
	<u>316</u>	<u>171</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES - GROUP

	12 Months ended 31 March 1999 £000	12 Months ended 31 March 1998 £000
On bank loans and overdrafts	88	138
Finance charges in respect of finance leases	23	11
Other interest payable and similar charges	1	175
Exchange losses	<u>1</u>	<u>2</u>
	<u>113</u>	<u>326</u>

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

4 DIRECTORS AND EMPLOYEES - GROUP

	12 months ended 31 March 1999 £000	11 months ended 31 March 1998 £000
Staff costs during the period were as follows :		
Wages and salaries	3,633	3,262
Social security costs	357	215
Other pension costs	89	67
	<u>4,079</u>	<u>3,544</u>

The average number of employees of the group during the period were as follows :

	12 months ended 31 March 1999 Number	11 months ended 31 March 1998 Number
Warehouse and computer operations	78	64
Selling and distribution	53	49
Administration	39	30
	<u>170</u>	<u>143</u>

	12 months ended 31 March 1999 £000	11 months ended 31 March 1998 £000
Remuneration in respect of directors was as follows :		
Emoluments	674	627
Pension contributions to money purchase pension scheme	32	21
Payments to third parties for directors' services	-	30
	<u>706</u>	<u>678</u>

During the period 3 directors participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows :

	12 months ended 31 March 1999 £000	12 months ended 31 March 1998 £000
Emoluments	223	247
Pension contributions to money purchase pension scheme	10	7
	<u>233</u>	<u>254</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the period and represents :

	12 months ended 31 March 1999 £000	11 months ended 31 March 1998 £000
UK Corporation tax at 31% (1998 : 31%)	<u>1,945</u>	<u>1,566</u>

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

6 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the period includes £209,000 (1998: £6,000) which is dealt with in the financial statements of the company.

7 DIVIDENDS

	1999 £000	1998 £000
Equity dividends		
Ordinary shares – final interim dividend £nil (1998 : £nil) per share	-	-
	-	-
Non-equity dividends		
Redeemable preference shares of 12p per share	-	56
Convertible preference shares of 12% per share	-	9
'A' ordinary share	-	3
'B' ordinary share	-	1
	-	69

With effect from 1 December 1997 the preference shareholders elected to waive their rights to dividends.

8 INTANGIBLE FIXED ASSETS

The group

	Goodwill on Consolidation £000
Cost	
At 31 March 1998	3,992
Additions	-
At 31 March 1999	3,992
Amortisation	
At 31 March 1998	349
Additions	199
At 31 March 1999	548
 Net book amount at 31 March 1999	 3,444
 Net book amount at 31 March 1998	 3,643

Purchased goodwill and goodwill on consolidation included above relates to the acquisition of CentreSoft Limited on 28 June 1996.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

9 TANGIBLE FIXED ASSETS

The group

	Motor vehicles £000	Computer equipment £000	Fixtures and fittings £000	Leasehold alterations & improvements £000	Total £000
Cost or valuation					
At 1 April 1998	352	1,648	647	445	3,092
Additions	251	487	122	123	983
Disposals	(22)	-	-	-	(22)
At 31 March 1999	<u>581</u>	<u>2,135</u>	<u>769</u>	<u>568</u>	<u>4,053</u>
Depreciation					
At 1 April 1998	77	1,378	579	279	2,313
Provided in the period	94	250	43	61	448
Eliminated on disposals	(13)	-	-	-	(13)
At 31 March 1999	<u>158</u>	<u>1,628</u>	<u>622</u>	<u>340</u>	<u>2,748</u>
Net book amount at 31 March 1999	<u>423</u>	<u>507</u>	<u>147</u>	<u>228</u>	<u>1,305</u>
Net book amount at 31 March 1998	<u>275</u>	<u>270</u>	<u>68</u>	<u>166</u>	<u>779</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows :

	Motor Vehicles £000	Computer Equipment £000
Net book amount 31 March 1999	138	140
Net book amount at 31 March 1998	264	-
Depreciation provided during the period	78	35

The company had no fixed assets. The fixed assets above are those of the subsidiary companies.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

10 FIXED ASSETS INVESTMENTS

The company

	31 March 1999	31 March 1998
	Shares in Group	Shares in Group
	undertaking	undertaking
	£000	£000
Cost as at 1 April 1999	5,162	4,662
Additions	-	500
Cost as at 31 March 1999	<u>5,162</u>	<u>5,162</u>

At 31 March 1999 the company had interests in the following :

	Country of incorporation	Class of share capital held	Proportion held		Nature of business
			By the parent company	By the group	
CentreSoft Limited	England and Wales	Ordinary	100%	100%	Distribution of entertainment software, games consoles, low cost business software and peripherals
PDQ Distribution Limited	England and Wales	Ordinary	0%	100%	Distribution of entertainment software, games consoles, low cost business software and peripherals.
Electric Dreams Ltd	England and Wales	Ordinary	0%	100%	Dormant
Capital Distribution Limited	England and Wales	Ordinary	0%	100%	Dormant

The share capital and reserves of CentreSoft Limited at 31 March 1999 were £6,943,000 and profit for the 12 months ending 31 March 1999 was £3,438,000.

The share capital and reserves of PDQ Distribution Limited at 31 March 1999 were £2,350,000 and profit for the 12 months ending 31 March 1999 was £780,000.

All of the subsidiary undertakings have been consolidated in the group financial statements.

11 STOCKS

	The Group	The Group
	1999	1998
	£000	£000
Goods for resale	<u>4,799</u>	<u>3,791</u>
Consignments stocks (not included on the Balance sheet)	<u>266</u>	<u>656</u>

The company held no stocks.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

12 DEBTORS

	The group	The Company	The group	The Company
	1999	1999	1998	1998
	£000	£000	£000	£000
Trade debtors	29,631	-	21,909	-
Other debtors	-	-	428	-
Prepayments and accrued income	276	-	319	-
Amounts owed by group undertakings	888	91	52	-
Corporation tax	-	388	-	384
Social Security and other taxes	786	-	-	-
Dividends receivable	-	220	-	-
	<u>31,581</u>	<u>699</u>	<u>22,708</u>	<u>384</u>

All debtors are due within one year.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group	The Company	The group	The Company
	1999	1999	1998	1998
	£000	£000	£000	£000
Amount due under finance leases	154	-	128	-
Trade creditors	33,401	-	26,368	-
Amounts owed to group undertakings	3,799	4,425	2,880	4,334
Corporation tax	1,835	-	1,435	-
Social Security and other taxes	94	94	80	80
Dividends payable	-	-	-	-
Other creditors	16	16	16	16
Accruals and deferred income	1,146	9	1,424	9
	<u>40,445</u>	<u>4,544</u>	<u>32,331</u>	<u>4,439</u>

Included in amounts owed to group undertakings is secured subordinated loan stock of £2,000,000 (1998: £2,000,000) which has an interest rate of 15% per annum and is to be redeemed no later than 31 July 2000.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

14 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group 1999 £000	The Company 1999 £000	The group 1998 £000	The Company 1998 £000
Amounts due under finance leases	124	-	51	-
	<u>124</u>	<u>-</u>	<u>51</u>	<u>-</u>

The maturity of obligations under hire purchase contracts is as follows :

	The group 1999 £000	The Company 1999 £000	The group 1998 £000	The Company 1998 £000
Within one year	185	-	140	-
In the second to fifth years	114	-	56	-
	<u>299</u>	<u>-</u>	<u>196</u>	<u>-</u>
Less Future finance charges	(21)	-	(17)	-
	<u>278</u>	<u>-</u>	<u>179</u>	<u>-</u>

15 BORROWINGS

	The group 1999 £000	The Company 1999 £000	The group 1998 £000	The Company 1998 £000
Within one year				
Bank and other borrowings	-	-	-	-
Finance leases	154	-	128	-
Loan from parent company	2,000	2,000	2,000	2,000
After one and within two years				
Bank and other borrowings	-	-	-	-
Finance leases	124	-	51	-
After two and within five years				
Bank and other borrowings	-	-	-	-
	<u>2,278</u>	<u>2,000</u>	<u>2,179</u>	<u>2,000</u>

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

16 DEFERRED TAXATION

Deferred taxation not provided for in the financial statements is set out below, calculated at 33%

	The group 1999 £000	The Company 1999 £000	The group 1998 £000	The Company 1998 £000
Accelerated capital allowances	-	-	-	-

17 SHARE CAPITAL

	1999 £000	1999 Number	1998 £000	1998 Number
Authorised				
Ordinary shares of 1p each	1	103,030	1	103,030
"A" ordinary shares of 1p each	1	47,059	1	47,059
"B" ordinary shares of 1p each	-	19,608	-	19,608
Convertible preference shares of £1 each	133	133,333	133	133,333
Redeemable preference shares of 10p each	80	800,000	80	800,000
	<u>215</u>	<u>1,103,030</u>	<u>215</u>	<u>1,103,030</u>
Issued				
Allotted called up and fully paid				
100,000 Ordinary shares of 1p each	1	100,000	1	100,000
"A" ordinary share of 1p each	1	47,059	1	47,059
"B" ordinary shares of 1p each	-	19,608	-	19,608
Convertible preference shares of £1 each	133	133,333	133	133,333
Redeemable preference shares of 10p each	80	800,000	80	800,000
	<u>215</u>	<u>1,100,000</u>	<u>215</u>	<u>1,100,000</u>

Preference Shares

The preference shares are non-equity shares which carry an entitlement to a dividend at the rate of 12p (net) per share per annum. The redeemable preference shares may be redeemed at any time after 31 December 1999 at the option of the holder. Holders of preference shares have one vote per share held, but only on a resolution of the winding-up of the company or on a resolution affecting the rights attached to the shares. Preference share shareholders have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividends.

'A' and 'B' Ordinary Shares

Subject to payment of the preference dividend, the holders of 'A' and 'B' ordinary shares shall be entitled to receive, in priority to the holders of the ordinary shares:

A fixed cumulative preferential net cash dividend, of 10 pence per annum on each share for the period from and after the date of subscription for such shares (the 'A' ordinary dividend) and as a class, in respect of each financial year a cumulative preferential net cash dividend of a sum which, when added to the total 'A' ordinary dividend payable in respect of that year, is equal to the higher of 20 per cent of net profits and the dividend declared on any other class of share capital in the company for the relevant financial year.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Share Premium Account £000	Profit and Loss Account £000
Group		
At 1 April 1998	885	3,565
Retained profit for the period	-	4,228
As at 31 March 1999	<u>885</u>	<u>7,793</u>
	Share Premium Account £000	Profit and Loss Account £000
Company		
At 1 April 1998	885	10
Retained profit for the period	-	209
At 31 March 1999	<u>885</u>	<u>219</u>

The balance on the share premium account may not be distributed under section 263/264 of the Companies Act 1988.

**19 RECONCILIATION OF MOVEMENTS
IN SHAREHOLDER'S FUNDS**

	The Group		The Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Profit for the financial period	4,228	3,110	209	6
Dividends	-	(69)	-	-
	<u>4,228</u>	<u>3,041</u>	<u>209</u>	<u>6</u>
Shareholder's funds brought forward	4,665	1,624	1,110	1,104
Shareholder's funds carried forward	<u>8,893</u>	<u>4,665</u>	<u>1,319</u>	<u>1,110</u>

COMBINED DISTRIBUTION (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

20 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 March 1999.

21 CONTINGENT LIABILITIES

CentreSoft Limited a group company has guaranteed the overdrafts of another group company in the form of standby Letter of Credit; the amount outstanding at the year end was £6,000,000 (1998 : £nil). Since the year end the Letter of Credit has been substituted by a bank guarantee for the same amount.

22 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the period was £89,000 (1998 : £67,000)

23 OPERATING LEASE COMMITMENTS

Operating lease payments amounting to £456,000 (1998 : £328,000) are due within one year. The leases to which these amounts relate expire as follows :

	1999		1998	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
In one year or less	48	-	36	4
Between one and five years	7	12	-	10
In five years or more	389	-	278	-
	<u>444</u>	<u>12</u>	<u>314</u>	<u>14</u>

The company had no leasing commitments at the period end.

24 ULTIMATE PARENT COMPANY

The company's (and group's) ultimate controlling party and parent company is Activision Inc. (A company incorporated in the USA) into which the results of this group are incorporated. Copies of the consolidated financial statements for Activision Inc are available from 3100 Ocean Park Boulevard, Santa Monica, California 90405, USA.