7. INVESTMENTS

Investments are comprised of marketable equity securities and are classified as current and non-current assets. The investments are accounted for under the cost method as "available-for-sale" in accordance with Statement of Financial Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The investments are stated at fair value, with unrealized appreciation (loss) reported as a separate component of accumulated other comprehensive income (loss) in stockholders' equity.

For the fiscal years ended October 31, 2003 and 2002, the gross proceeds from the sale of investments were $114 and $6,170, respectively. The gross realized gain from these sales totaled $39 and $181, respectively. The gain/loss on sale of securities is based on the average cost of the individual securities sold.

During 2001, the Company recorded an impairment charge of $21,477, consisting of approximately $19,171 relating to its investment in Gameplay, $2,000 relating to its investment in eUniverse, Inc. based on the quoted market prices and $306 relating to its investment in a privately held company, which is included in other non-current assets. All of these investments were deemed to be other than temporarily impaired.

8. INVENTORIES

As of October 31, 2003 and 2002, inventories consist of:

	2003	2002
Parts and supplies	$ 4,793	$ 3,221
Finished products	96,955	71,170
	$101,748	$74,391

9. FIXED ASSETS

As of October 31, 2003 and 2002, fixed assets consist of:

	2003	2002
Computer equipment	$12,963	$ 8,004
Office equipment	5,096	3,811
Computer software	11,529	8,981
Furniture and fixtures	3,157	1,850
Automobiles	—	219
Leasehold improvements	6,047	3,265
Capital leases	398	398
	39,190	26,528
Less: accumulated depreciation and amortization	16,930	11,209
	$22,260	$15,319

In 2003 and 2002, the Company capitalized costs of approximately $2,923 and $4,113, respectively, associated with software and hardware upgrades to its accounting systems.

Depreciation expense for the years ended October 31, 2003, 2002, and 2001 amounted to $9,510, $6,457 and $3,731, respectively.

10. LINES OF CREDIT

In December 1999, the Company entered into a credit agreement, as amended and restated in August 2002, with a group of lenders led by Bank of America, N.A., as agent. The agreement provides for borrowings of up to $40,000 through the expiration of the line of credit on August 28, 2005. Generally, advances under the line of credit are based on a borrowing formula equal to 75% of eligible accounts receivable plus 35% of eligible inventory. Interest accrues on such advances at the bank's prime rate plus 0.25% to 1.25%, or at LIBOR plus 2.25% to 2.75% depending on the Company's consolidated leverage ratio (as defined). The Company is required to pay a commitment fee to the bank equal to 0.5% of the unused loan balance. Borrowings under the line of credit are collateralized by the Company's accounts receivable, inventory, equipment, general intangibles, securities and other personal property, including the capital stock of the Company's domestic subsidiaries. Available borrowings under the agreement are reduced by the amount of outstanding letters of credit, which was $9,290 at October 31, 2003. The loan agreement contains certain financial and other covenants, including the maintenance of consolidated net worth, consolidated leverage ratio and consolidated fixed charge coverage ratio. As of October 31, 2003, the Company was in compliance with such covenants. The loan agreement limits or prohibits the Company from declaring or paying cash dividends, merging or consolidating with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The Company had no outstanding borrowings under the revolving line of credit as of October 31, 2003 and 2002.

In February 2001, the Company's United Kingdom subsidiary entered into a credit facility agreement, as amended in March 2002, with Lloyds TSB Bank plc ("Lloyds") under which Lloyds agreed to make available borrowings of up to approximately $22,200. Advances under the credit facility bear interest at the rate of 1.25% per annum over the bank's base rate, and are guaranteed by the Company. Available borrowings under the agreement are reduced by the amount of outstanding guarantees. The facility expires on March 31, 2004. The Company had no outstanding guarantees or borrowings under this facility as of October 31, 2003 and 2002.

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of October 31, 2003 and 2002 consist of:

	2003	2002 (Restated)
Accrued co-op advertising and product rebates	$ 3,985	$ 3,318
Accrued VAT and payroll taxes	11,593	10,249
Royalties payable	8,521	14,784
Deferred revenue	2,358	10,596
Sales commissions	10,381	6,248
Other	19,869	5,503
Total	$56,707	$50,698