

Notes to Consolidated Financial Statements

8. Goodwill

The changes in the carrying amount of goodwill were as follows (amounts in thousands):

	Publishing	Distribution	Total
Balance as of March 31, 2002	\$31,626	\$4,366	\$35,992
Goodwill acquired during the year	29,348	—	29,348
Issuance of contingent consideration	2,668	—	2,668
Adjustment—prior period purchase allocation	(448)	—	(448)
Effect of foreign currency exchange rates	—	459	459
Balance as of March 31, 2003	63,194	4,825	68,019
Goodwill acquired during the year	3,763	—	3,763
Issuance of contingent consideration	3,246	—	3,246
Adjustment—prior period purchase allocation	695	—	695
Effect of foreign currency exchange rates	—	770	770
Balance as of March 31, 2004	\$70,898	\$5,595	\$76,493

9. Accrued Expenses

Accrued expenses were comprised of the following (amounts in thousands):

March 31,	2004	2003
Accrued royalties payable	\$ 7,218	\$ 6,430
Accrual for settlement of treasury stock purchases	—	7,553
Accrued selling and marketing costs	11,456	8,737
Income tax payable	9,897	6,940
Accrued bonus and vacation pay	20,042	12,287
Other	14,592	16,709
Total	\$63,205	\$58,656

10. Operations by Reportable Segments and Geographic Area

Based upon our organizational structure, we operate two business segments: (i) publishing of interactive entertainment software and (ii) distribution of interactive entertainment software and hardware products.

Publishing refers to the development, marketing and sale of products directly, by license or through our affiliate label program with certain third-party publishers. In the United States, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses and game specialty stores. We conduct our international publishing activities through offices in the UK, Germany, France, Italy, Australia, Sweden, Canada and Japan. Our products are sold internationally on a direct-to-retail basis and through third-party distribution and licensing arrangements and through our wholly-owned distribution subsidiaries located in the UK, the Netherlands and Germany.

Distribution refers to our operations in the UK, the Netherlands and Germany that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations and manufacturers of interactive entertainment hardware.