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Review of Operations

The Group experienced a challenging period in the year ended 31 March 2001. The hiatus in demand for entertainment software by consumers awaiting deliveries of the next generation of consoles has led to a disappointing financial performance both for ourselves and many other leading publishers of interactive video games. This was exacerbated by price and margin erosion. We started the year with a significantly oversupplied retail channel having achieved lower than anticipated sales of our video games during the 1999 Christmas period and in the January to March 2000 quarter. Clearing this excess inventory position required us to make an exceptional provision to cover returns of video games not sold by the retail channel. We have also had to provide as an exceptional item for the write off of our investment in Express.com, Inc. which proved unable to sustain its business model in the face of the widely reported downturn experienced by business to consumer online companies. In addition, the Company incurred costs in respect of the aborted bid talks. These 3 exceptional items required us to write off a total of £54.1 million during the year. The underlying trading results of the Company have also been disappointing. The combination of a depressed level of demand, retail channel-led margin pressure and the decision to defer certain key game launches until the current financial year resulted in a loss before taxation, goodwill amortisation and exceptional items, of £26.1 million. The decision to defer the release of certain PlayStation 2 titles until the current financial year was taken to allow the installed base of such consoles to increase following manufacturing difficulties and delays initially encountered by Sony. The disappointing financial results mask a year in which the Group continued to achieve a good performance in its publishing activities. 20 new games, 4 less than in 2000, were released during the year. Two titles sold significantly in excess of 1 million units: "Who Wants To Be A Millionaire?" and Tomb Raider: Chronicles. "Who Wants To Be A Millionaire?" became the fastest

selling title to reach 1 million units sold in the UK and is now the biggest selling title in UK chart history, ahead of Tomb Raider 2 and Tomb Raider. A German version of "Who Wants To Be A Millionaire?" was released in the January to March 2001 quarter. We have since shipped in excess of 200,000 units to that market, making it the biggest selling game on the PC and PlayStation formats in the 2001 year to date. We have had further success with other titles during the year. Championship Manager and Sydney 2000 both shipped in excess of 350,000 units during the year. The performance of Deus Ex from Ion Storm Austin and our first PlayStation 2 title, TimeSplitters, has been encouraging with both winning critical acclaim during the year. We believe both titles have the potential to develop into compelling franchises for the future.

Board and Management

On 1 November 2000, we were delighted to announce that Mike McGarvey was appointed Chief Executive Officer of the Group. We also had pleasure in announcing that David Adams was appointed a Non-executive Director on 9 May 2001. David is the Group Finance Director of House of Fraser Plc, a position he has held since 1997. In addition, the Company is currently in talks with an individual which may or may not result in his appointment as Finance Director in the near future.

Current trading, prospects

The period since the end of the Company's financial year is typically a quiet sales period for the Group. This year has been no exception and trading has been in line with our expectations. Looking forward to the remainder of the current financial year, the Group intends to release a portfolio of 20 titles, representing 33 SKUs, on the following platforms: 2 on PlayStation, 11 on PlayStation 2, 7 on Xbox, 1 on Dreamcast and 12 on PC. Within this portfolio of releases are 6 titles that we believe could develop into exciting franchises. In addition, 11 titles are sequels to previously successful games and include "Who Wants To Be A Millionaire?" 2, Championship Manager 01/02, Commandos 2,

Soul Reaver 2, Kain Blood Omen 2 and Winter Olympics. We have made the decision not to release a Tomb Raider title in this financial year. Instead, we are investing significant time and resources so that the next iteration of the Tomb Raider franchise will utilise the enhanced features of the next generation consoles and enhance the quality of the franchise. The Tomb Raider film is due for release by Paramount in June (US) and July (UK) and we expect this will build further awareness of the franchise in the mass market. As at 31 May 2001, we have more than 30 titles in development for release over the next 18 to 24 months.

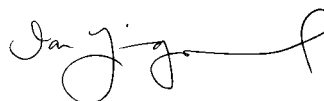
The North American and European launch dates for the next generation consoles have now all been announced or indicated by the relevant manufacturers. The Directors believe this will lead to a return to the strong historic growth rates previously achieved by sales of consoles and the associated entertainment software. Given this background and the exciting line up of titles due for release, the Directors are confident of the Group's prospects for the year ahead.

Rights Issue

The Group has announced today a rights issue to raise £51.7 million of new capital, net of expenses, full particulars of which are contained in the prospectus dated 31 May 2001, sent to Shareholders under separate cover.

Employees

We would like to thank all Eidos employees for their hard work, dedication and enthusiasm during a challenging year.



Ian Livingstone
Chairman
31 May 2001

The continuation of the difficult trading conditions first encountered eighteen months ago led to a further downturn in operating performance during the year. Year on year revenue was down to £160.4 million from £194.8 million and pre exceptional operating losses were £39.5 million compared to £26.8 million last year. Exceptional charges of £54.1 million were incurred and the overall loss for the year was £97.3 million compared to a profit of £25.2 million last year.

Revenue

There were twenty (2000: twenty four) new games released in the year. Following the rescheduling of certain key titles as first announced in our Trading Update issued on 25 January 2001, we released far fewer new titles in the final quarter than in previous years. The PlayStation version of "Who Wants to be A Millionaire?" released in Germany was the most successful new release of the quarter shipping in excess of 200,000 units and underlining the ability to roll this title out in overseas territories, as well as the scale of opportunity still offered by publishing selected titles on the PlayStation format.

Since the first version was launched in September 2000 we have shipped just under 2 million units of "Who Wants to be A Millionaire?" in the UK and Germany on three formats. The game became the fastest selling title to reach one million units sold in the UK and is now the biggest selling game ever in UK chart history ahead of Tomb Raider II and Tomb Raider (the UK and Eidos' previous biggest selling titles). In Germany, the original version of the game is the biggest selling PC and PlayStation title of 2001 in the year to date. The French versions of the original game are due to be released on PC, PlayStation and Dreamcast during the Summer of 2001. In addition to "Who Wants to Be a Millionaire?", franchise titles such as Championship Manager, Sydney 2000 and Tomb Raider: Chronicles, have all shipped in excess of 350,000 units in the year and performed well under what we consider to be continuing difficult trading conditions. Overall, revenue for the year has decreased by 17.7% from the prior year. This was due to a combination of a

reduction of the number of units shipped from 17.5 million to 15.3 million and a reduction in gross average selling prices from £13.94 to £12.02. The reduction in gross average selling prices reflects the significant volume of catalogue titles sold at or around cost from finished goods stock during the year, and is not considered to be indicative of any underlying erosion of prices that can be achieved on new releases.

As in prior years the bulk of Eidos' net revenues (97.9%) have been derived from its games business. The balance of the revenue in the year came from the Group's video editing and internet publishing businesses. The Group divested itself of these and all other material non-core businesses during the year, to concentrate on developing and publishing games. The downturn in net revenues has been most acute in the USA and France with year on year sales decreasing by 44% and 40% respectively. Sales in the UK and Germany increased marginally due to the success of "Who Wants to be A Millionaire?" in these territories.

During the year Eidos published new titles for the Sony PlayStation and PlayStation 2, Sega Dreamcast and PC, in addition to sub-licensing certain properties for publication on the Nintendo Gameboy Color. Approximately 61% of Eidos' games revenue was derived from console based games, compared to 71% last year. This reflects the strength of certain PC titles released during the year relative to last year, notably "Who Wants to be A Millionaire?" and Deus Ex.

Pre exceptional operating losses were £39.5 million after Group and joint venture goodwill amortisation of £16.1 million compared to losses of £26.8 million after goodwill of £13.4 million last year. The pre exceptional loss per share was 41.7p (2000: loss per share of 31.3p). Excluding goodwill and exceptionals, the loss per share was 26.2p for the year (2000: loss per share of 17.5p).

Operating results

After deducting pre exceptional operating expenses of £113.8 million Eidos reported an operating loss of £39.5 million. This includes total goodwill amortisation charges of £16.1

million and the Group's share of the operating profits of its joint ventures of £0.9m. Excluding these items the operating loss was £24.2 million compared to a loss of £13.9 million in 2000.

Before the exceptional charge to turnover, gross margin was 49.0% for the year compared to 54.9 % last year. The Group undertook a comprehensive programme in the fourth quarter to reduce its exposure to further write downs of channel and warehouse inventories in future periods. This has been at the cost of reducing margins for the quarter and has also contributed to reducing margins for the year. Nevertheless the Board believes this was a prudent measure given the current climate and that ultimately it should help the Group return to more normal levels of margin in the future.

Advertising costs for the year were £19.3 million (12.0% of pre exceptional turnover) compared to £25.2 million (12.9% of turnover) in 2000. The level of expenditure relative to turnover has fallen in the period partly as a result of reduced expenditure on TV advertising in anticipation of lower volumes. The Group has also been able to realise savings from certain key brands and franchises such as "Who Wants to be A Millionaire?", which can deliver outstanding levels of success with lower levels of marketing support due to the strength of the brand awareness in the marketplace.

The fixed element of selling and marketing costs was down 9.4% to £19.2 million compared to £21.2 million in the prior year. The amortisation of promotional licences included a final quarter charge of £2.0 million arising from the accelerated amortisation of certain prepaid licence fees due to the cancellation of a licence agreement. Overall however, this one off charge was offset by savings generated from the disposal or termination of non-core activities and by the imposition of tighter controls on expenditure in the remaining publishing businesses.

Research and development of £42.4 million (2000: £47.2 million) represents the Company's investment in product development. Included in this category is pure research and development of £0.4 million (2000: £2.2 million). The reduction in

product development expenditure reflects the increasing emphasis on internally developed titles and the leveraging of established franchises onto new hardware platforms in the product pipeline. This pipeline includes £30.5 million (2000: £19.7 million) invested in more than 30 titles to be released over the next two years. The termination of certain non-core activities has led to the decrease in pure research and development expenditure.

Pre exceptional charges, general and administrative costs excluding goodwill of £10.9 million, were £22.0 million (13.7% of pre-exceptional turnover), compared to £27.3 million in 2000 (14.0% of pre exceptional turnover). This reduction is largely the result of the greater control of staff costs and other corporate costs in the year. The continued drive to reduce general and administrative costs remains a priority for the Group.

The joint ventures in Spain generated an operating profit of £0.9 million this year (2000: 0.5 million) and contributed £0.6 million (2000: £0.3 million) to the retained profit of the Group (before goodwill amortisation).

Exceptional items

During the year provision was made for certain exceptional costs. These items are non-recurring in nature and have therefore been disclosed separately to enable a better understanding of the financial performance of the Group.

Additional returns provisions

The uncertainty surrounding the release of new hardware platforms caused continuing difficulties in key markets during the year. The sell through during the year of titles released in the previous financial year was consequently significantly lower than had previously been anticipated. As a result, provisions made at the end of the last financial year against stock then in the retail channel proved to be inadequate and a £16.9 million exceptional charge to turnover and profit was made.

Write down of investment

Eidos acquired 19.96% of Maximum Holdings Inc., an internet company for \$55 million on 11 November 1999. Following the acquisition Maximum merged with another company, DVD

Express Inc. and changed its name to Express.com. During the year it became clear that Express.com was experiencing severe trading difficulties in common with many other internet companies. The Board consequently decided to make full provision against the carrying value of the investment during the year. On 7 March 2001, Express.com filed for Chapter 11. In accordance with FRS 3 this provision has been shown below the operating loss from continuing activities.

Legal and professional fees

During the year £0.9 million legal and professional fees were incurred in respect of previously disclosed abortive bid talks.

Taxation

The taxation charge of £1.0 million comprises £0.6 million in respect of the current year's trading and £0.4 million in respect of the prior year. The current year's charge arises entirely from the profitability of certain of the Group's overseas subsidiaries and joint ventures. Certain other countries have incurred losses for which no credit has been taken in the current year and which should be available in future years.

Earnings per share

Eidos reported a loss after tax of £97.3 million for the year ended 31 March 2001 compared to a profit of £25.2 million for the corresponding period last year. The basic loss per share was 93.9p compared to earnings of 25.9p last year based on a weighted average number of shares of 103,647,327 (2000: 97,221,713).

Liquidity and capital resources

At 31 March 2001 Eidos had net assets of £30.6 million compared to £126.4 million at the start of the year, as a result of the significant losses reported this year.

Net assets include goodwill of £13.8 million (2000: £28.3 million), tangible fixed assets and investments of £9.6 million (2000: £45.9 million), net current assets of £9.5 million (2000: £54.4 million) and other long term creditors of £2.3 million (2000: £2.3 million).

Net funds decreased by £13.5 million during the year. This mainly reflects the net cash outflow in the year of £13.6 million (2000: £25.0 million). Operating activities generated a cash inflow of £1.9

million (2000: cash outflow of £28.5 million), reflecting both the better control exercised over cash resources and the phasing of title releases. The major items in the outflow of £13.6 million are corporation tax paid of £12.9 million on the disposal of the Opticom shares and costs relating to the Group's bank facility of £3.6 million.

At the year end Eidos had cash balances of £28.4 million (2000: £103.4 million) and gross debt of £18.9 million (2000: £80.6 million). The year end cash position reflected the normal seasonal inflow during the last quarter, which also benefited from the deferral of new releases in the fourth quarter, with the consequent lower working capital requirement. In addition, £10.0 million of the year-end cash balance was subsequently used to settle the final instalment of tax arising from the sale of Opticom shares.

The Euro

The Euro was launched on 1 January 1999 and now runs in parallel with the French Franc, German Mark and other participating currencies until the local currencies are phased out by 28 February 2002.

The financial information systems used in the European offices are all capable of operating in multiple currencies including the Euro. There have been negligible external costs relating to the introduction of the Euro to date (less than £10,000). It is anticipated that once the Euro is implemented fully there will be some costs involved in changing to the new currency (for example, staff training and minor software and hardware changes). These are not expected to be material. The Company has established a task force comprising senior representatives from finance, operations, sales and marketing in France, Germany and the UK to consider the wider issues relating to the Euro and the Company's response. It will be difficult to establish a Europe-wide policy until the UK's position with regard to the Euro becomes clearer. One of the main issues for the Company is the possible erosion of margin resulting from changes in the retail price point (as existing price points are translated to the Euro then possibly rounded down by the retailer). At this stage it is

not possible to predict the impact of this, but Eidos will seek to maintain its margin wherever it can. In addition, price transparency may erode margins in certain countries; however, the fact that most games are translated into the local language should help to reduce "grey imports" and minimise this risk.

Currently the offices in France and Germany remit Euros back to the Head Office in the UK. Should the UK convert to the Euro this currency risk will be eliminated and the US dollar will become the only significant currency exposure.

Derivatives and other financial instruments

During the year the Group's financial instruments, other than derivatives, comprised bank loans and overdrafts, cash and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group also enters into derivative transactions on an ad-hoc basis (principally forward foreign currency contracts). The purpose of such transactions is to manage the currency risk arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group has in place a £50 million multi-currency credit facility. The purpose of the facility is to finance the Group's working capital and research and development. The facility is required due to the seasonality of the business and the time lag involved in the development cycle. The Group propose a 1 for 3 rights issue to raise £51.7 million net of expenses, to be approved by the Shareholders at the forthcoming extraordinary general meeting on 18 June 2001. The Group has now agreed a committed facility with The Royal Bank of Scotland of up to £15 million following receipt of the proceeds of the rights issue.

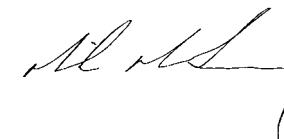
Foreign currency risk

The Group has overseas subsidiaries in France, Germany, USA, Singapore and Japan. At present the Group's Sterling profit and loss account can be significantly affected by movements in the US dollar and Euro. During the year, the Group has hedged against exposure to movements in US dollars with forward contracts where necessary.

At 31 March 2001 all existing hedges and forward contracts have been closed and further contracts will be taken out as appropriate.

Going concern

The directors have prepared detailed forecasts of the Group's cash requirements for the foreseeable future. The Group is proposing a 1 for 3 rights issue at 155p which has been fully underwritten by Dresdner Kleinwort Wasserstein and which is conditional, *inter alia*, on shareholder approval at the forthcoming extraordinary general meeting on 18 June 2001. The rights issue should raise approximately £51.7 million net of expenses. In addition the Group has negotiated a two year revolving credit facility of £15 million with Royal Bank of Scotland, conditional *inter alia* on shareholder approval. The directors, having considered the requirements of the Group, the banking facilities available to the Group and the proceeds of the proposed rights issue, believe that the Group has adequate resources to continue its operations for the foreseeable future. Consequently the going concern basis has been applied in preparing the accounts to 31 March 2001.



Mike McGarvey
Chief Executive Officer
31 May 2001

The Directors present their Annual Report, together with the audited financial statements for the year ended 31 March 2001.

Principal activities, review of the business

The Group's principal activity is the development and publishing of entertainment software.

The consolidated profit and loss account for the year is set out on page 16.

A review of the Group's performance during the year, with comments on financial results, acquisitions, disposals and future developments, is contained in the Chairman's Statement and Operating and Financial Review on pages 3 to 5.

Dividends

No dividends have been declared during the year.

Group research and development

The Group is committed to research and development activities in order to secure its position as a market leader in computer games development.

The expenditure for the year is shown on the face of the profit and loss account.

Directors

The Directors of the Group and brief biographical details are given on page 8.

The interests of the Directors in the shares of the Company at 29 May 2001, 31 March 2001 and 31 March 2000 are disclosed in the Directors' Remuneration Report on pages 9 to 11.

Creditor payment policy

The Company's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU). For other suppliers, the Group's policy is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;

- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

Wherever possible UK subsidiaries follow the same policy and overseas subsidiaries adopt similar policies, by applying local best practices.

The average creditor payment period for the Company during the year was 27 days (the Group 26 days).

Employees

The Group's policy is to consult and discuss with employees matters likely to affect their interests.

Information on matters of concern to employees is given through the Intranet, information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, where possible, for retraining employees who become disabled.

Employee Incentives

The Company has operated an Inland Revenue approved SAYE Share Scheme ("Sharesave Scheme") for its UK employees since 1999.

Similar schemes were rolled out during 2000 for employees in France and Germany, Japan and Singapore and an equivalent stock purchase scheme exists for US employees.

Substantial shareholdings

The Directors have been advised of the following shareholders holding 3 per cent or more of the issued share capital as at 29 May 2001. Apart from this, the Directors are not aware of any individual interest (excluding combined nominee accounts), or group of interests, held by persons acting together which exceeds 3 per cent of the issued share capital at 29 May 2001.

	Ordinary shares of 2p each	Percentage
Chase Nominee Ltd	4,154,138	4.00%
Vidacos Nominee Ltd	4,097,433	3.94%
Guaranty Nominee Ltd	3,783,645	3.64%
Chase Nominee Ltd (USRESL)	3,257,566	3.13%
Nutraco Nominee Ltd	3,138,361	3.02%

Charitable and political donations

Charitable donations made by the Group during the year totalled £22,000 (2000 - £30,000).

No political contributions were made by the Group during the year.

Shareholder Information on the Internet

Computershare Services PLC, the Company's Registrar, has introduced a facility where shareholders in Eidos plc are able to access details of their shareholding over the Internet subject to passing of an identity check.

You can access this service on their Website at - www.computershare.com. The site also includes information on recent trends in Eidos' share price.

In addition, Eidos' own website contains links to the annual and quarterly results, as well as details of the management team, corporate history plus details of current games. This is located at www.eidosinteractive.co.uk/corporate/

Auditor

A resolution to reappoint KPMG Audit Plc as auditor will be proposed at the Annual General Meeting.

Amendments to Articles of Association

The Directors propose to update the Articles of Association to enable communication between the Company and its shareholders to be sent electronically. The notice of Annual General Meeting enclosed with these Accounts seeks approval for this. The Companies Act 1985 (Electronic Communications) Order 2000 permits the sending of notices and other documents by electronic communications. The Institute of Chartered Secretaries and Administrators has published a best practice guideline in relation to electronic communications which recommends that companies should amend their articles of association as soon as is practical to facilitate the use of electronic communications. The Directors believe that the Articles of Association should be updated to bring them into line with the best practice for communicating with shareholders by electronic means.

The proposed amendments will enable the Company to send documents (for example, annual reports and accounts and notices of meetings) to an electronic address nominated by shareholders for that purpose. The introduction of electronic communication will apply to those shareholders who wish to receive and send communications in this way.

The proposed amendments will also enable the Company to place principal communications required by the Companies Act 1985 onto a website accessible by shareholders. However, the amendments provide that a document or other notice may only be published on a website to which a shareholder has access if the Company and the shareholder concerned have agreed that instead of the Company sending notices or other documents to that shareholder, the shareholder will access them on a website. Such shareholder must be notified, *inter alia*, of (i) the publication of such notice or document on a website, (ii) the address of the website, (iii) the place on such website where the notice or document may be accessed, and (iv) the period of time for which the documents will be available on the website.

The proposed amendments will enable shareholders to notify the Company by electronic means of the appointment of a proxy for the purposes of general meetings. The ability to appoint a proxy by an electronic communication may be subject to such limitations, restrictions or conditions as the Board thinks fit. For instance, the Board may require such evidence as it considers appropriate to decide that the appointment of a proxy is effective. The proposed amendments will also permit both shareholders' and Board written resolutions to be in any form, including electronic communication.

The amended Articles of Association provide that any notice or other document given by any form of electronic communication shall be deemed to be served or delivered 48 hours after the electronic communication was sent. A confirmation setting out either the total number of recipients sent to or each recipient to whom the message was sent is sufficient proof of service.

As the Directors propose to update the Articles of Association they have decided also to propose the amendment of article 87B which provides that the Chief Executive Officer is not subject to the obligation to retire by rotation. The amendment of this article is in accordance with the provisions of the Combined Code which provides that all Directors should be subject to the requirement to submit themselves for re-election at least every three years.

The Articles of Association limit the borrowing of the Group to an amount not to exceed twice the consolidated share capital and reserves of the company. To reflect the growth of the Company and current practice it is proposed to remove this restriction on the Group's borrowing powers.

A copy of the amended Articles of Association marked to show the proposed amendments will be available for inspection at the offices of Taylor Joynson Garrett, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4V 0DX during usual business hours on any weekday (Saturdays, Sundays and public holidays

excepted) and at the place of the Annual General Meeting prior to and during that meeting.

Annual General Meeting

Enclosed with this Annual Report and Accounts is a Notice of the Annual General Meeting to be held at 10.30 a.m. on 20 September 2001 at the Company's registered office. In addition to the Ordinary Business to be considered at that meeting there will be the following items of Special Business.

- (a) A resolution will be proposed to give the Directors authority to allot shares up to an aggregate nominal value equal to one third of the Company's issued share capital, to proceed with a rights issue and/or allot shares up to an aggregate nominal value of 5 per cent. of the Company's issued share capital without having to first offer them to existing shareholders proportionally to their existing shareholdings. The resolution provides the Directors with the flexibility to act in the best interests of the shareholders when opportunities arise.
- (b) A resolution will be proposed to amend the Articles of Association for the reasons set out above.

By order of the board



Charlotte Eastwood
Company Secretary
31 May 2001

Executive Directors

Ian Livingstone has served as Chairman of the Board since October 1995. Prior to that he was Managing Director of the Domark Group. Since 1982, he has authored and co-authored the "Fighting Fantasy" series of interactive game books, which have sold in excess of 14 million copies worldwide. In 1975, he co-founded Games Workshop Limited, a role-playing games company, where he served as Joint Managing Director and subsequently Chairman of the Board until 1991.

Michael McGarvey was appointed Chief Executive Officer on 1 November 2000 and previously served as Chief Operating Officer and as a Director of the Company since October 1997. Prior to that he was Chief Executive Officer of Eidos Interactive, Inc. He joined Domark Software, Inc in February 1994 and was Director of Sales then Vice President of Sales and Marketing. From May 1990 to February 1994, he served as Director of Sales for Dicon Electronics, a manufacturer of printed circuit boards.

Jeremy Heath-Smith has served as World-wide Head of Development since January 2000 and as a Director of the Company since April 1996. Prior to that he was a Director of CentreGold plc and Managing Director of U.S. Gold Limited. In July 1988, he founded Core Design Limited, an interactive software developer and publisher that was acquired by CentreGold plc in 1994, where he continues to serve as Managing Director.

Simon Protheroe has served as Technical Director of the Company and as a Director since June 1994. He joined the Company as a full-time employee in December 1993. From October 1986 to November 1993, he conducted postgraduate studies and subsequent research in the field of image processing at King's College, London. He has published works in the fields of image sequence analysis, machine vision and neural networks and has developed software for the Joint European Torus and the Defence Research Agency.

Non-executive Directors

Victor Steel has served as a Non-executive Director of the Company since September 1998. Mr Steel is also Chairman of Forbidden Technologies plc, Mygard plc and Ideas Hub plc and non-executive Director of Navy Army and Air Force Institutes. Mr Steel's previous appointments were as Chairman of Mansfield Brewery plc and European Leisure plc and as executive Director of Kingfisher plc, Guinness plc and Beecham Group Plc. A fellow of the Institute of Marketing, he has wide experience of international business.

Allen Thomas a lawyer qualified in England and America, has served as a Non-executive Director of the Company since September 1998. Mr. Thomas currently also serves as Chairman of Ockham Holdings Plc and Bright Station Plc and as a Director of Penna Consulting Plc. Mr. Thomas served as a partner at international law firm Paul, Weiss, Rifkind, Wharton & Garrison from 1973 to 1992, and the founding partner of the firm's Hong Kong office. During his time in practice he was involved in the financial rescue of New York City as General Counsel to the Municipal Assistance Corporation.

David Adams was appointed to the Board on 9 May 2001 as a Non-executive Director. He is currently the Group Finance Director of House of Fraser Plc, a position he has held since 1997. Prior to his House of Fraser role, Mr Adams has been Finance Director of Asprey Plc, Finance Director of Texas Homecare and Finance Director of Dorothy Perkins & Top Shop.

Secretary and registered office

Mrs C Eastwood
Eidos plc
Wimbledon Bridge House
1 Hartfield Road
Wimbledon
LONDON
SW19 3RU

Registrars

Computershare Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
EDINBURGH
EH11 4BR

Registered number

2501949

Stockbrokers and financial advisers

Dresdner Kleinwort Wasserstein Ltd
20 Fenchurch Street
LONDON
EC3P 3DP

Bankers

The Royal Bank of Scotland
Corporate and Institutional
Banking
8th Floor
135 Bishopsgate
LONDON
EC2M 3UR

Registered auditor

KPMG Audit Plc
8 Salisbury Square
LONDON
EC4Y 8BB

Solicitors

Taylor Joynson Garrett
Carmelite
50 Victoria Embankment
Blackfriars
LONDON
EC4Y ODX

Gouldens
10 Old Bailey
LONDON
EC4M 7NG

Cooly Godward
Five Palo Alto Square
3000 El Camino Real
Palo Alto
CA 94306
USA

Membership and remit of the Remuneration Committee

The Remuneration Committee is responsible for all aspects of Directors' remuneration. It comprises the following non-executive Directors:

Mr Thomas- Chairman of the Remuneration Committee
Mr Steel
Mr Adams (From 9 May 2001)

The remit of the Committee is to make proposals to the Board on the Company's policy for executive remuneration and to determine on the Board's behalf the entire remuneration package for the executive Directors. In setting the policy, the Committee considers a number of factors including:

- (a) the basic salaries and benefits available to executive Directors at comparable companies;
- (b) the need to attract and retain Directors of an appropriate calibre; and
- (c) the need to ensure executive Directors' commitment to the continued success of the company by means of incentive schemes.

Remuneration of non-executive Directors

The non-executive Directors receive a fee for their services, which was agreed by the Board on their appointment and is reviewed annually. The non-executive Directors are reimbursed for their expenses and can charge a daily fee for work done in addition to the contracted terms. No other remuneration or benefits are paid.

Remuneration policy for executive Directors

The objective of the Group's remuneration policy for executive Directors is to:

- (a) have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;
- (b) link individual remuneration packages to the Group's long term performance through the award of share options;
- (c) provide employment related benefits including the provision of a company car where appropriate and private medical insurance; and
- (d) provide post retirement benefits through the Group's pension schemes.

Salaries and benefits

The basic salary of executive Directors is determined by the Remuneration Committee. Basic salaries are reviewed annually or when a change of responsibility occurs. Benefits in kind include the provision of a company car, medical insurance, life assurance, relocation and housing allowances.

Directors' bonuses

Directors are eligible to receive bonuses at the discretion of the Remuneration Committee. These are based upon the Group's overall performance and their existing salary levels.

Directors' royalties

Under a specific agreement with Mr Heath-Smith, he is entitled to a royalty based upon the underlying profitability of Core Design, the internal development studio responsible for Tomb Raider and many of the Group's games.

Share options

No share options were granted to Directors during the year.

Pension arrangements

Effective 1 January 1997 the Company has operated a Group Private Pension Plan. All the executive Directors are entitled to join the plan. Contributions by the Company are summarised in the table on the next page. Mr Heath-Smith is a member of the Core Design Pension Scheme. Both schemes are defined contribution schemes. Contribution levels are based on fixed percentages of basic salary excluding any bonuses, royalties or benefits.

Service contracts

The executive Directors have service contracts terminable by not less than six months notice by either party except for Mr McGarvey where the service contract is terminable by not less than twelve months notice by either party. Service contracts do not contain specific provisions for compensation for early termination. The non-executive Directors do not have service contracts but each has a letter of appointment, the terms of which are reviewed on an annual basis by the Board.

Directors' detailed remuneration

Details of individual Directors' emoluments for the period are as follows:

	Year ended 31 March 2001					Year ended 31 March 2000
	Salary and Fees £	Royalty £	Benefits £	Pension Contributions £	Total £	Total £
Executive						
I Livingstone	240,000	–	33,690	28,800	302,490	488,100
MP McGarvey	270,000	–	87,008	18,900	375,908	863,949
J Heath-Smith	258,750	2,989,325	98,371	27,900	3,374,346	4,274,215
SR Protheroe	75,000	–	16,186	9,000	100,186	146,195
CHD Cornwall (up to 1 November 2000)	312,083	–	19,325	26,750	358,158	1,414,686
JMJ Lewis (up to 6 October 2000)	243,077*	–	14,292	17,600	274,969	277,729
Non-executive						
V Steel	63,100	–	–	–	63,100	36,875
A Thomas	42,599	–	–	–	42,599	36,875
	<u>1,504,609</u>	<u>2,989,325</u>	<u>268,872</u>	<u>128,950</u>	<u>4,891,756</u>	<u>7,538,624</u>

*The remuneration shown includes a payment in lieu of notice on departure of £160,000 in accordance with the terms of his service agreement.

No discretionary bonuses were paid in the year ended 31 March 2001.

Benefits paid to Mr McGarvey and Mr Heath-Smith include £64,450 and £72,135 respectively for housing allowances.

Directors' royalties

Up until the year ended 31 March 2000, the royalty payable to Mr Heath-Smith in any one year was determined on the basis of unit sales in the previous year, but no estimated allowance was made for subsequent returns – these would be taken into account in determining the royalty for the subsequent period. The Remuneration Committee has agreed that the royalty entitlement should be brought fully into line with the underlying reporting within the Group accounts and consequently the charge of £3.0 million in respect of the year ended 31 March 2001 represents to a large extent the charge for two years of which £850,000 relates to the entitlement for the year to 31 March 2001 on the previous basis of calculation. All entitlements up to 31 March 2001 have been accrued in full.

Directors, their interests and options

The interests of the Directors in the shares and options of the Company at 31 March 2001 were as follows.

Interest in shares

	Number of shares		
	29 May 2001	31 March 2001	31 March 2000
I Livingstone	2,681,915	2,681,915	2,681,915
MP McGarvey	25,435	25,435	25,435
J Heath-Smith	728,534	728,534	728,534
CHD Cornwall (resigned 1st November 2000)	N/a	N/A	2,852,905
JMJ Lewis (resigned 6th October 2000)	N/a	N/A	3,370

Apart from the interests disclosed above no Directors were interested at any time in the period in the share capital of the Company or other Group companies.

All of the above holdings are beneficially owned.

Interests in share options

Details of options held by Directors are set out below:

	1 April 2000	Exercised in period	Lapsed	31 March 2001	Exercise price (pence)	Date from which exercisable	Expiry date
I Livingstone	221,065	-	-	221,065	158.40	03/04/99	01/04/03
	18,935	-	-	18,935	158.40	03/04/99	01/04/06
	282,880*	-	-	282,880	135.00	-	-
MP McGarvey	125,520	-	-	125,520	171.50	16/10/00	14/10/04
	1,000,000	-	-	1,000,000	117.00	14/10/01	13/10/05
J Heath-Smith **	180,870	-	-	180,870	156.80	25/04/99	24/04/03
	19,130	-	-	19,130	156.80	25/04/99	24/04/06
SR Protheroe	70,000	-	-	70,000	158.40	03/04/99	01/04/03
	50,000	-	-	50,000	68.67	21/07/97	19/07/04
	100,000	-	-	100,000	70.00	11/03/98	09/03/05
CHD Cornwall	57,000	(57,000)	-	-	158.40	-	-
	1,075,000	-	(358,333)	716,667	117.00	14/10/01	12/11/01
JMJ Lewis	746,810	-	(465,955)	280,855	156.67	11/09/01	11/02/02
	19,145	-	-	19,145	156.67	11/09/01	11/02/02
Total	3,966,355	(57,000)	(824,288)	3,085,067			

None of the non-executive Directors have any options in the Company.

* Effective holding shown. Mr Livingstone holds an option to purchase shares in Eidos Interactive Limited which upon exercise are exchangeable for shares in the Company. The exercise period is at the discretion of the Board of Directors.

** Mr Heath-Smith is also contributing to a Sharesave Scheme which will become exercisable on 1 February 2002 with an estimated potential number of shares of 6,915 at a price of 140.0p, such exercise period to expire on 1 August 2002.

Under the option scheme rules, the Board exercised its discretion to allow Mr Cornwall and Mr Lewis to retain a proportion of their share options as part of their leaving arrangements.

The closing market price of shares in Eidos plc was 207.0p on 31 March 2001 and 277.5p on 29 May 2001. The highest closing price during the year was 550.0p and the lowest was 178.0p.

The options shown above exercised during the year were exercised on 13 February 2001 when the market price was 256.0p.

All options give the holders the rights to acquire shares on a one for one basis.

Details of all option schemes are set out in note 18.

Overview

The executive management team within Eidos has seen significant changes during the year with the departures in October and November of the Chief Financial Officer and previous Chief Executive Officer and the promotion of Mike McGarvey to Chief Executive Officer. Other consequential changes to the senior management team and reporting structure have also been made to improve day to day operating efficiency. Whilst significant improvements have already been made to business processes and the control environment, these should be further enhanced with the appointment of a new Finance Director. Significant progress has specifically been made in the following key areas:

A cost reduction plan has been initiated to reduce overheads and operating costs. Although this was primarily driven by the difficult trading conditions faced by the Group, management was conscious of the need to achieve cost reduction without suffering any significant loss of control.

An initial evaluation of the key business risks has been carried out and a new set of operating controls has been established particularly in the areas of the development cycle and marketing spend. This review will continue into the current year thereby enabling management to gain additional control over the business.

The annual budgeting process has been significantly improved for the current year. Whilst the adverse trading conditions referred to in the operating review continue to make forecasting a difficult exercise in this industry, which again led to the necessity of issuing a trading statement in the financial year, the improvements made this year should help the group to be able to predict more accurately the likely outcome for particular periods. Further improvements will be made in the current year with the implementation of appropriate new software.

The cash management and cash reporting procedures have been refined and improved. Given the downturn in trading activity and performance, this placed greater emphasis on the need to operate within the constraints of the Group's banking facilities and to control spend in all areas.

Combined Code

The Board has considered the Principles of Good Governance and Code of Best Practice contained within the Combined Code on Corporate Governance as incorporated within the Listing Rules and can confirm that they have applied the principles set out in section 1 of the Combined Code during the year ended 31st March 2001. In considering whether it is appropriate to make this statement, the Directors recognise that the provisions relating to the balance between executive and non-executive Directors, the composition of the Audit Committee, the identification of a senior independent Director and the system of internal controls operating throughout the Group have not been fully met throughout the year. This Corporate Governance statement is intended to highlight the most important ways in which the principles have been applied, to provide further explanation of the areas of non-compliance and to give details of how the areas of non-compliance will be addressed in the future.

Board composition

During the first part of the year the board comprised two non-executive Directors and six executive Directors although this was reduced to four executive Directors following the departure of the Chief Financial Officer and Chief Executive Officer referred to above. A third non-executive Director was appointed on 9 May 2001. Brief biographical details of the Board are given on page 8 of the Annual Report. All non-executive Directors are considered to be independent, however the Board acknowledges that for part of the year the number of non-executive Directors represented less than the one third recommended by the Code. This has now been rectified with the addition of a

third non-executive Director.

All Directors stand for re-election at least every three years.

All the members of the Board are equally responsible for the management and proper stewardship of the Group. The non-executive Directors are independent of management and free from any business or other relationship with the Company or Group and are therefore able to bring independent judgement to issues brought before the Board. Mr Steel and Mr Thomas were appointed at the same time and share responsibilities equally. Consequently it was not considered appropriate to recognise either as the senior independent Director, however with the appointment of a third non-executive Director, this issue will be re-addressed.

The Board is conscious of the need to keep up to date with the changing duties and responsibilities of a Director of a listed company. An appropriate training programme for Board members has been developed but this has not yet been initiated given the many recent changes to the composition of the Board and the high level of corporate and operating activity that took place last year. It is intended that all new members of the Board, including any new Finance Director, will participate in the programme as well as the other board members.

The Board has approved an agreed procedure for Directors to take independent professional advice where necessary. In addition, the Directors have direct access to the advice and services of the Company Secretary.

Operating and financial responsibility for subsidiary companies is delegated to the local management, although their performance is closely monitored by the full Board. This is discussed further below under "Internal Controls".

The Board has devolved responsibility in a number of areas to various sub-Committees:

The Audit Committee

This Committee now comprises Mr Steel (chairman), Mr Thomas and Mr Adams although during the year under review only Mr Steel and Mr Thomas were members. The Committee meets regularly, at least once a quarter, to review the quarterly results, the findings of the internal and external auditors, internal control systems and the Group's financial accounting procedures and policies.

The Remuneration Committee

This Committee now comprises Mr Thomas (chairman), Mr Steel and Mr Adams and it is responsible for the remuneration of the executive Directors. It advises the Board on the broad framework for executive remuneration and determines, on behalf of the Board, the remuneration packages of individual Directors and senior management. The policies they adopt together with details of the Directors' remuneration and service contracts are included in the Directors' Remuneration Report on pages 9 to 11. The Committee meets on an ad hoc basis and has also sought independent advice from external remuneration consultants where necessary.

The Nomination Committee

During the financial year this comprised Mr Livingstone (chairman), Mr Thomas and Mr Steel. The Committee met formally to recommend the appointment of Mr Adams to the Board. Mr Adams will now also be a member of the Nomination Committee.

The Publishing Committee

The Publishing Committee has expanded its responsibilities to include strategic sales and marketing decisions as well as reviewing games in development. The Publishing Committee has been augmented by the creation of a development committee headed by Mr Heath-Smith and five other key creative and development members. Their remit is to manage the strategic direction of product development and make recommendations to the Publishing Committee and ultimately the Board as to where to invest our Research and Development budget. The Board believes the addition of the Development Committee will continue to improve the internal control of the development process.

Internal controls – Summary

The Combined Code now incorporates the recommendations of the Turnbull Committee, which was established to provide guidance on the implementation of the internal control aspects of the Combined Code. The Turnbull recommendations extended the existing requirement in respect of the Directors' review of the effectiveness of the internal financial controls to cover all internal controls including financial controls, operational controls, compliance and risk management. Certain transitional reporting arrangements were allowed in the year to 31 March 2000, under which the Directors continued to review and report upon internal financial controls only; however, the extended review and reporting requirements apply in respect of the year ended 31st March 2001.

As outlined in last year's Annual Report, the Directors commenced a review of procedures relating to all aspects of internal controls. This review continued throughout the current year but has not yet been completed in all areas.

Consequently the Group has not fully complied with provision D2.1 of the Code throughout the period under review. Further changes and improvements to the underlying systems and processes will continue to be made so that the

Directors can carry out a more comprehensive review of the effectiveness of internal controls in the year to 31 March 2002,

Internal Controls – Process

The Directors have overall responsibility for maintaining an effective system of internal controls, but this can provide only reasonable and not absolute assurance against material mis-statement or loss.

The full Board meets on a monthly basis throughout the year and a number of matters are specifically reserved for its approval. The Board is given all appropriate information in advance of the meetings, which ensures the Directors maintain control over strategic, financial and compliance matters.

The Group has an established organisational structure with clearly defined lines of authority, responsibility and accountability, which is reviewed regularly. The Board has devolved to executive management the responsibility for the implementation and maintenance of a system of internal financial controls. Individual operating units are required to review their systems of internal controls and report to the Board on all aspects of internal financial controls; these reports and the underlying processes are reviewed as part of the internal audit work programme.

During the year one of the two internal auditors left the group and at this stage has not been replaced given the tight control exercised over overheads and recruitment in this period. The remaining internal auditor has continued to carry out the internal audit work programme, working closely with the Group's external auditors, reporting directly to the Audit Committee and the Board on control environment and specific control issues.

The level of future resources required in the internal audit function will be reviewed by the Board in the current year.

Currently internal financial and operational controls are recorded

in the Group Procedure and Operations Manual. This has been extended to include a Board and Executive Manual, which reinforces existing procedures and controls. In addition it has formalised the functions and authority of the executive officers of the Board and its various committees in a single document.

The Group operates an annual planning and financial reporting process and prepares annual budgets together with regular short term forecasts particularly relating to cash. In the light of the rapid changes in the market and products, measuring performance solely against an annual budget is not always appropriate and consequently rolling forecasts are also used. This gives a more reliable measure of current performance. The trading and market problems experienced during the year further emphasised the importance of this aspect of management reporting and control. The Company continually reviews and works towards improvement in the process and providing relevant management information on a timely basis. This includes improving the communication process within the whole organisation and providing additional resource for the preparation of forecasts, their monitoring and analysis. This aspect will be further strengthened during the current year with the introduction of new forecasting software. In addition, regular formal departmental and management meetings provide the means for communication of financial and operational measures throughout the Group. Detailed Group reporting instructions are issued to all Group financial controllers to ensure consistency of presentation and accounting policies.

Relations with shareholders

The executive Directors meet regularly with institutional shareholders. The Annual General Meeting provides a forum for private shareholders to question the Directors. Each shareholder receives the Annual Report, which contains the Chairman's Statement and Operating and Financial Review and the Interim Report. These reports, together with the quarterly financial and other corporate press releases are available on the Company's website: www.eidosinteractive.co.uk/corporate

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) prepare 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 the Group 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 Group and to prevent and detect fraud and other irregularities.

On behalf of the Board



Charlotte Eastwood
Company Secretary
31 May 2001

We have audited the financial statements on pages 16 to 35.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 14, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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. We also report to you 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 or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 12 to 13 reflects the Company's compliance

with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 affairs of the Company and the Group as at 31 March 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

**KPMG Audit Plc
Chartered Accountants and
Registered Auditor**

London
31 May 2001

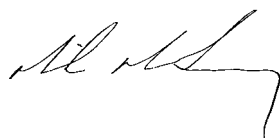
		Before Exceptional Items	Exceptional Items (See Note 7)	Year ended 31 March	Year ended 31 March (Restated – see Note 1)
		£'000	£'000	2001	2000
Turnover: Group and share of joint ventures		169,767	(16,900)	152,867	203,265
Less: share of joint ventures' turnover		(9,374)	–	(9,374)	(8,464)
Turnover – continuing operations	2	160,393	(16,900)	143,493	194,801
Cost of goods sold		(81,722)	–	(81,722)	(87,908)
Gross profit		78,671	(16,900)	61,771	106,893
Selling and marketing		(38,497)	–	(38,497)	(46,380)
Research and development		(42,403)	–	(42,403)	(47,173)
General and administrative					
Goodwill amortisation		(10,915)	–	(10,915)	(9,973)
Other		(21,991)	(938)	(22,929)	(27,255)
		(32,906)	(938)	(33,844)	(37,228)
Operating expenses		(113,806)	(938)	(114,744)	(130,781)
Group operating (loss)		(35,135)	(17,838)	(52,973)	(23,888)
Share of operating profit of joint ventures		876	–	876	532
Joint venture goodwill amortisation		(5,192)	–	(5,192)	(3,475)
Total operating (loss) – continuing operations		(39,451)	(17,838)	(57,289)	(26,831)
Profit/(loss) on investments	12	–	(36,308)	(36,308)	80,236
Profit/(loss) on ordinary activities before interest and tax		(39,451)	(54,146)	(93,597)	53,405
Income from investments		136	–	136	–
Interest receivable	5	835	–	835	1,110
Interest payable and similar charges	5	(3,732)	–	(3,732)	(5,240)
Profit/(loss) on ordinary activities before tax	6	(42,212)	(54,146)	(96,358)	49,275
Tax on profit/(loss) on ordinary activities	8	(971)	–	(971)	(24,072)
Profit/(loss) for the financial year		(43,183)	(54,146)	(97,329)	25,203
(Loss)/earnings per share	9	(41.7)p	(52.2)p	(93.9)p	25.9p
Diluted (loss)/earnings per share	9	(41.7)p	(52.2)p	(93.9)p	23.8p
(Loss)/earnings per share before goodwill	9	(26.2)p	(52.2)p	(78.4)p	39.8p

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

	Year ended 31 March	Year ended 31 March
	2001	2000
	£'000	£'000
Profit/(loss) for the year	(97,329)	25,203
Currency translation differences on foreign currency net investments		
Group	216	(790)
Joint ventures	40	(244)
	256	(1,034)
Total gains and losses recognised	(97,073)	24,169

	Notes	Group		Company	
		31 March	(Restated – see Note 1) 31 March	31 March	31 March
		2001	2000	2001	2000
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10	6,759	16,035	-	-
Tangible assets	11	4,495	6,022	1,071	1,252
Investments					
Joint ventures	12				
Share of gross assets		4,178	4,684		
Share of gross liabilities		(1,743)	(2,844)		
		<u>2,435</u>	<u>1,840</u>	-	-
Joint ventures – goodwill	10	7,078	12,270	-	-
Other investments and associated undertakings	12	<u>2,628</u>	<u>38,081</u>	<u>7,901</u>	<u>44,503</u>
		<u>12,141</u>	<u>52,191</u>	<u>7,901</u>	<u>44,503</u>
Total fixed assets		<u>23,395</u>	<u>74,248</u>	<u>8,972</u>	<u>45,755</u>
Current assets					
Stocks	13	3,115	13,286	-	-
Debtors	14	31,389	77,665	97,112	77,583
Cash at bank and in hand	22	<u>28,355</u>	<u>103,449</u>	<u>14,544</u>	<u>91,505</u>
		<u>62,859</u>	<u>194,400</u>	<u>111,656</u>	<u>169,088</u>
Creditors: amounts falling due within one year	15	<u>(53,319)</u>	<u>(139,976)</u>	<u>(66,019)</u>	<u>(118,620)</u>
Net current assets		<u>9,540</u>	<u>54,424</u>	<u>45,637</u>	<u>50,468</u>
Total assets less current liabilities		<u>32,935</u>	<u>128,672</u>	<u>54,609</u>	<u>96,223</u>
Creditors: amounts falling due after more than one year:	16	<u>(2,318)</u>	<u>(2,253)</u>	<u>-</u>	<u>-</u>
Net assets		<u>30,617</u>	<u>126,419</u>	<u>54,609</u>	<u>96,223</u>
Capital and reserves					
Called up share capital	18	2,079	2,071	2,079	2,071
Share premium account	19	85,822	85,034	85,822	85,034
Other reserves	19	707	707	167	167
Profit and loss account	19	<u>(57,991)</u>	<u>38,607</u>	<u>(33,459)</u>	<u>8,951</u>
Equity shareholders' funds	20	<u>30,617</u>	<u>126,419</u>	<u>54,609</u>	<u>96,223</u>

The financial statements were approved by the Board of directors on 31 May 2001 and were signed on its behalf by:



Mike McGarvey

Director

		Year ended 31 March 2001	Year ended 31 March 2000
	Notes	£'000	£'000
Net cash(outflow)/inflow from operating activities	21	<u>1,888</u>	<u>(28,467)</u>
Dividends from Joint Ventures and Associates		<u>136</u>	<u>-</u>
Returns on investments and servicing of finance			
Interest received		812	1,090
Bank interest paid		(3,554)	(2,630)
Bond interest paid		-	(652)
Interest paid on finance leases		(24)	(44)
Other interest paid		(2)	(245)
		<u>(2,768)</u>	<u>(2,481)</u>
Taxation			
UK tax paid		(12,864)	(10,830)
Overseas tax (paid)/reclaimed		292	(5,965)
		<u>(12,572)</u>	<u>(16,795)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,835)	(3,602)
Sale of tangible fixed assets		1,126	87
Purchase of other investments		-	(36,555)
Sale of other investments		(122)	91,505
		<u>(831)</u>	<u>51,435</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings		-	(14,327)
Purchase of joint ventures		-	(17,945)
		<u>-</u>	<u>(32,272)</u>
Net cash (outflow) before financing		<u>(14,147)</u>	<u>(28,580)</u>
Financing			
Issue of ordinary share capital		796	3,964
Capital element of finance lease rental payments		(274)	(370)
		<u>522</u>	<u>3,594</u>
(Decrease) in cash in the year	22	<u>(13,625)</u>	<u>(24,986)</u>
Reconciliation of net cash flow to movement in net funds			
		£'000	£'000
(Decrease) in cash in the period		(13,625)	(24,986)
Capital element of finance lease rental payments		274	370
Change in net funds resulting from cash flows	22	(13,351)	(24,616)
Conversion of bonds		-	31,248
New finance leases		(437)	(56)
Exchange Rate movements		258	(655)
Movement in net funds in the period		(13,530)	5,921
Net funds at 1 April 2000		<u>22,632</u>	<u>16,711</u>
Net funds at 31 March 2001	22	<u>9,102</u>	<u>22,632</u>

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. These have been applied consistently throughout the year and the previous year.

Basis of preparation

The Group proposes a 1 for 3 Rights Issue at 155p, which is fully underwritten by Dresdner Kleinwort Wasserstein, with expected net proceeds of £51.7 million. This Rights Issue is conditional, *inter alia*, on approval by shareholders at the forthcoming extraordinary general meeting on 18 June 2001. The Group has now agreed a committed facility with The Royal Bank of Scotland of up to £15 million following receipt of the proceeds of the rights issue. Having considered the requirements of the Group, the banking facilities available and the proceeds of the proposed rights issue, the directors believe that the Group has adequate resources to continue in operation for the foreseeable future. Consequently the going concern basis has been applied in preparing the accounts for the year ended 31 March 2001.

Changes in Presentation of Financial Statements

In accordance with FRS9, the figures in respect of the year to 31 March 2000 have been restated to show separately the goodwill in connection with the joint venture companies on the face of the profit and loss account and the balance sheet.

Licence fees, which were previously included within creditors: amounts falling due within one year have now been reclassified and shown in creditors: amounts due after more than one year.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings ("the Group"). The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. The group recognises all changes to those assets and liabilities, and the resulting gains and losses that

arise after the Group has gained control of the subsidiary.

Associated and joint undertakings

Associated undertakings are undertakings in which the Group holds a long-term interest and over which it actually exercises significant influence. Joint ventures are undertakings which are jointly controlled with other entities or individuals. The Group's share of profits less losses from associated and joint undertakings is included in the consolidated profit and loss account on the equity accounting basis. The holding value of associated undertakings is based upon the Group's equity in the net assets of such undertakings, as shown by the most recent accounts available.

Goodwill

Goodwill in respect of the acquisition of subsidiaries and associated undertakings represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising prior to April 1998 has been written off immediately against reserves. Goodwill arising after April 1998 is capitalised and amortised to nil in the profit and loss account over the estimated useful economic life in accordance with FRS10. A charge is recognised in the Group's profit and loss account in respect of any impairment in the value of goodwill. Goodwill written off directly to reserves and not previously charged to the Group's profit and loss account is included in determining the profit and loss of a subsidiary on disposal. Goodwill previously written off to reserves was not reinstated in the balance sheet when FRS10 was adopted. It has been offset against the merger reserve with the excess being offset against the profit and loss reserve.

Turnover

Turnover, which excludes sales between group companies and trade discounts, represents the invoiced amounts of goods sold, net of provisions for returns and value added tax.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Provision is made for depreciation on all tangible fixed assets at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Leasehold improvements: over the life of the lease;
Fixtures and fittings: 20% per annum straight line;

Computer equipment: 33% per annum straight line;
Motor vehicles: 25% per annum straight line.

Research and development

All research and development expenditure is charged to the profit and loss account as incurred. This includes all software development expenditure on individual titles, advance royalties paid under publishing agreements to external developers and advance royalties paid under licensing arrangements.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Licence fees

Licence fees payable to celebrities and professional sports organisations for use of their name over a number of years or for a range of products (a franchise), including sub-licence arrangements and fees payable through intermediaries, are charged to the profit and loss account as sales and marketing expenditure over the life of the licence. Licence fees are classified as current and non-current assets based on the remaining life of the licence. Management regularly reviews the carrying value of such licences and will accelerate the amortisation should circumstances require it.

Deferred taxation

Provision is made for deferred taxation at the anticipated tax rate, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the near future.

Foreign currencies

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. The results and cash flows of foreign subsidiaries are translated at the average rate of exchange for the year. Gains or losses on exchange arising from the retranslation of the opening net investment in subsidiary companies and from the translation of the results of those companies are taken to reserves and are reported in the statement of total recognised gains and losses. Exchange differences arising from the retranslation of long-term foreign currency borrowings used to finance foreign currency investments are also taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Stocks

Stocks are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of Group leasing commitments is shown as obligations under finance leases. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Pensions

The Group operates various defined contribution pension schemes. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's accounts.

If an instrument ceases to be accounted for as a hedge, for example, because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

2 Segmental analysis

Segmental analysis by class of business

Class of business	Turnover		Profit/(loss) before taxation		Net assets/(liabilities)	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2001	2000	2001	2000	2001	2000
	£'000	£'000	£'000	£'000	£'000	£'000
Computer Software	140,543	190,363	(95,956)	49,897	33,396	128,794
Video Editing	2,950	4,443	(402)	(622)	(2,779)	(2,375)
	<u>143,493</u>	<u>194,806</u>	<u>(96,358)</u>	<u>49,275</u>	<u>30,617</u>	<u>126,419</u>
Inter-segment	-	(5)				
	<u>143,493</u>	<u>194,801</u>				

Video editing was provided by Eidos Post Productions Ltd (formerly Glassworks Productions Ltd), an 85% subsidiary, whose trade and assets were sold on 15 December 2000.

Segmental analysis by geographical area

Turnover – continuing activities	By destination		By origin	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
United Kingdom	41,193	40,086	55,884	73,270
France	12,639	21,181	15,215	26,222
Germany	24,781	23,488	27,517	27,311
Rest of Europe	14,207	35,113	-	-
United States of America	35,468	63,719	42,741	65,598
Rest of World	15,205	11,214	2,136	2,400
	<u>143,493</u>	<u>194,801</u>	<u>143,493</u>	<u>194,801</u>
Inter-segment sales (predominantly royalties)				
United Kingdom			36,744	65,029
France			8	-
Germany			-	111
United States of America			5,382	10,270
Rest of World			978	1,027
			<u>43,112</u>	<u>76,437</u>

Turnover from the joint ventures originates from Spain and relate to computer software.

In addition, turnover in the UK includes £1,246,000 (2000: £3,856,000) sales to the joint ventures in Spain.

Profit/(loss) before taxation

Geographical segment	Year ended 31 March	Year ended 31 March
	2001	2000
	£'000	£'000
United Kingdom	(15,401)	(2,059)
France	(1,863)	(459)
Germany	1,186	(3,538)
Spain (joint ventures)	846	493
United States of America	(44,887)	(25,531)
Rest of World	69	133
	<u>(60,050)</u>	<u>(30,961)</u>
Profit/(loss) on investments – United Kingdom	<u>(36,308)</u>	<u>80,236</u>
	<u>(96,358)</u>	<u>49,275</u>

Net assets/(liabilities)	31 March	31 March
	<u>2001</u>	<u>2000</u>
	£'000	£'000
Geographical segment		
United Kingdom	75,265	157,102
France	615	2,401
Germany	548	(469)
Spain (joint ventures)	2,435	1,840
United States of America	(48,805)	(34,981)
Rest of World	559	526
	<u>30,617</u>	<u>126,419</u>

3 Directors' emoluments

Detailed disclosures of Directors' individual remuneration and share options are given in the Directors' Remuneration Report on pages 9 to 11.

4 Employee information

The average weekly number of persons (including executive Directors) employed by the Group during the year was:

	Year ended 31 March	Year ended 31 March
	<u>2001</u>	<u>2000</u>
	Number	Number
Corporate	33	26
Computer entertainment software	484	485
Video editing, post production and new media	35	72
	<u>552</u>	<u>583</u>

Computer entertainment software staff numbers can be further analysed as follows:

	Year ended 31 March				Year ended 31 March			
	<u>2001</u>				<u>2000</u>			
	UK	US	Europe	Asia	UK	US	Europe	Asia
Sales, marketing and operations	58	31	58	6	69	30	63	4
Research and development	127	129	-	7	132	118	-	7
Administration	14	30	16	8	14	25	15	8
Total	<u>199</u>	<u>190</u>	<u>74</u>	<u>21</u>	<u>215</u>	<u>173</u>	<u>78</u>	<u>19</u>

	Year ended 31 March	Year ended 31 March
	<u>2001</u>	<u>2000</u>
	£'000	£'000
Staff costs		
Wages and salaries	27,576	32,526
Social Security costs	2,876	3,763
Pension costs (see note 26)	784	858
	<u>31,236</u>	<u>37,147</u>

5 Net interest and similar charges

	Year ended 31 March	Year ended 31 March
	<u>2001</u>	<u>2000</u>
	£'000	£'000
Interest payable		
Group		
Bank loans and overdrafts	(3,468)	(3,868)
Convertible bond	-	(323)
Amortisation of costs relating to issue of convertible bond	-	(661)
Finance leases	(21)	(43)
Other interest	(204)	(297)
	<u>(3,693)</u>	<u>(5,192)</u>
Share of joint ventures	(39)	(48)
	<u>(3,732)</u>	<u>(5,240)</u>
Interest receivable		
Group		
Bank Interest	712	1,092
Other income	114	8
Share of joint ventures	9	10
	<u>835</u>	<u>1,110</u>

6 Profit/(loss) on ordinary activities before taxation

	Year ended 31 March	Year ended 31 March
	<u>2001</u>	<u>2000</u>
	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Owned tangible fixed assets	2,208	2,767
Tangible fixed assets held under finance lease	220	383
Amortisation of goodwill	16,107	13,448
Write off of goodwill	-	506
Auditors' remuneration		
Audit (Company £80,000; 2000 £75,000)	267	255
Other fees paid to the auditors and their associates*	884	757
Operating leases – plant and machinery	726	606
Operating leases – other	2,363	2,133
(Profit) or Loss Exchange differences	282	(476)
	<u>282</u>	<u>(476)</u>

*Other fees paid to the auditors and their associates include tax compliance and advisory fees of £276,000, review of interim statements and quarterly US filings of £104,500 and other assistance and advice of £503,500.

7 Exceptional items

	Year ended 31 March	Year ended 31 March
	2001	2000
	£'000	£'000
Group		
Returns provision	16,900	-
Legal and professional fees – abortive bid talks	938	-
(Profit)/loss on investments		
Profit on disposal of Associate (after writing back related goodwill of £475,000 previously written off to reserves)	(44)	-
Write-off of investment in Express.com (including £895,000 of professional fees incurred during the year) (refer to Note 12)	36,352	-
Profit on sale of fixed asset investment in Opticom	-	(80,236)
	<u>54,146</u>	<u>(80,236)</u>

The group returns provision of £16.9 million related to returns identified and incurred during the current year, but relating to titles released in the previous year.

The effect on the taxation charge for the year of the exceptional items is disclosed in Note 8.

8 Tax on profit on ordinary activities

	Year ended 31 March	Year ended 31 March
	2001	2000
	£'000	£'000
UK Corporation tax at 30% (2000: 30%)	-	25,711
Overseas taxation	587	(1,918)
Deferred taxation	-	628
	<u>587</u>	<u>24,421</u>
Adjustments in respect of prior years		
UK taxation	140	-
Overseas taxation	244	(349)
	<u>971</u>	<u>24,072</u>
Of which		
Arising on disposal of investments	-	24,586
Remaining Group taxation	744	(746)
Joint ventures' taxation	227	232
	<u>971</u>	<u>24,072</u>

There is no current year tax effect in the profit and loss account relating to the exceptional items. Corporation tax arising on exceptional items last year amounted to £24,586,000 relating entirely to the gain on the disposal of Opticom shares.

9 Earnings per share

The calculations of earnings per share are based on the following information:

Weighted average number of shares:

	2001	2000
	Number of shares	Numbers of shares
For basic earnings per share	103,647,327	97,221,713
Conversion of convertible bond	–	4,753,655
Exercise of share options	2,321,389	4,842,924
For diluted earnings per share	105,968,716	106,818,292

In accordance with FRS14, the diluted loss per share for the year ended 31 March 2001 is equivalent to the basic earnings per share as any conversion of options would decrease the net loss per share.

	Basic Year ended 31 March 2001	Year ended 31 March 2000	Diluted Year end 31 March 2001	Year ended 31 March 2000
	£'000	£'000	£'000	£'000
Profit/ (loss) for the financial year	(97,329)	25,203	(97,329)	25,203
Interest saved on conversion of debt	–	–	–	226
Earnings	(97,329)	25,203	(97,329)	25,429
	Pence per share	Pence per share	Pence per share	Pence per share
Earnings/(loss) per share	(93.9)p	25.9p	(93.9)p	23.8p

10 Intangible fixed assets

Goodwill

Cost

	Joint Ventures	Others	Total £'000
At 1 April 2000	15,745	30,078	45,823
Exchange Adjustment	–	3,810	3,810
At 31 March 2001	15,745	33,888	49,633

Amortisation

At 1 April 2000	3,475	14,043	17,518
Exchange Adjustment	–	2,171	2,171
Charge for the year	5,192	10,915	16,107
At 31 March 2001	8,667	27,129	35,796

Net Book Value

At 31 March 2001	7,078	6,759	13,837
At 31 March 2000	12,270	16,035	28,305

Given the nature of the industry, goodwill amortisation on Proein SL, Pyro Studios SL (acquired 2000) and Crystal Dynamics, Inc. (acquired in 1999) have been calculated based on a three year estimated useful economic life.

11 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Motor vehicles	Total
Group	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2000	3,115	2,450	9,870	269	15,704
Exchange Adjustment	89	71	295	-	455
Additions	165	176	1,437	-	1,778
Disposals	(495)	(315)	(4,660)	(188)	(5,658)
At 31 March 2001	2,874	2,382	6,942	81	12,279
Depreciation					
At 1 April 2000	596	1,633	7,291	162	9,682
Exchange Adjustment	20	55	253	-	328
Charge for the year	308	334	1,724	62	2,428
Disposals	(224)	(204)	(4,072)	(154)	(4,654)
At 31 March 2001	700	1,818	5,196	70	7,784
Net Book Value					
At 31 March 2001	2,174	564	1,746	11	4,495
At 31 March 2000	2,519	817	2,579	107	6,022

The net book value of tangible fixed assets includes an amount of £391,000 (2000: £146,000) in respect of assets held under finance leases.

	Leasehold improvements	Fixtures and fittings	Computer equipment	Motor vehicles	Total
Company	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2000	1,237	616	459	202	2,514
Additions	-	-	184	-	184
Group Transfers	-	53	522	-	575
Disposals	-	(96)	-	(118)	(214)
At 31 March 2001	1,237	573	1,165	84	3,059
Depreciation					
At 1 April 2000	363	412	345	142	1,262
Charge for the year	130	89	113	50	382
Group transfers	-	50	468	-	518
Disposals	-	(56)	-	(118)	(174)
At 31 March 2001	493	495	926	74	1,988
Net Book Value					
At 31 March 2001	744	78	239	10	1,071
At 31 March 2000	874	204	114	60	1,252

12 Fixed asset investments

Group

	Joint ventures	Associated undertakings	Other Investments	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2000	1,840	4	38,077	39,921
Share of net profits	618	-	-	618
Other movements	(23)	-	4	(19)
Provisions against investments	-	-	(35,457)	(35,457)
At 31 March 2001	2,435	4	2,624	5,063

Company

	Investments	Investment in Group undertakings	Associated undertakings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2000	38,002	1,723	4,778	44,503
Transfer	1,345	-	(1,345)	-
Disposals	(475)	-	-	(475)
Provided during the year	(36,127)	-	-	(36,127)
At 31 March 2001	2,745	1,723	3,433	7,901

Express.com, Inc.

On 11 November 1999, Eidos acquired 19.96% of Maximum Holdings, Inc. an internet company for \$55 million. Following the acquisition, Maximum Holdings, Inc. merged with another internet company, DVD Express, Inc. and changed its name to Express.com, Inc. This diluted Eidos' holding down to 12.6%. The company experienced significant financial difficulties during the year to 31 March 2001, and on 7 March 2001 was registered under Chapter 11 of the US bankruptcy laws. The investment of £35,457,000 has been fully written down in the current year.

Vision Park Entertainment AB

Eidos had a 39.54% investment in Innerloop Technologies AS. On 1st September 2000, the whole of the share capital of Innerloop Technologies AS was acquired by Vision Park Entertainment AB (publ.), conditional upon the subsequent listing of Vision Park Entertainment AB (publ.) in Sweden. As part of the acquisition, Eidos' 39.54% holding was converted at the ratio of 1 to 12 into 585,198 Vision Park shares. Vision Park Entertainment AB (publ.) subsequently listed its shares on OM Stockholmorsens O-lista in November 2000.

Within the Group accounts, this investment was carried at nil. As a result of the share exchange, the investment was no longer treated as an associate by the Company, and the investment reclassified.

In November 2000, Eidos sold 206,000 shares in Vision Park Entertainment AB (publ.) for £519,000.

12 Fixed asset investments (continued)

Interests in Group undertakings

The Directors consider that to give full particulars of all interests in Group undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings, joint ventures and associated undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group:

Subsidiary undertakings	Country of incorporation	Nature of business	Description of shares held	Other Group Companies %	Company %
Eidos Interactive Limited	England and Wales	Developer and publisher of computer software	Ordinary £1 share each and 'A' ordinary £0.05 shares each	–	100
Eidos Interactive, Inc.	USA	Developer and publisher of computer software	Common stock \$0.001 par value	100	–
Crystal Dynamics, Inc.	USA	Developer of computer software	Common stock no par value	100	–
Core Design Limited	England and Wales	Developer of computer software	Ordinary £1 shares	100	–
Eidos Interactive France S.A.R.L.	France	Publisher of computer software	Ordinary shares of 100 Ffr	100	–
Eidos Interactive (Deutschland) GmbH	Germany	Publisher of computer software	DM 50,000	100	–
Eidos Interactive Pte Limited	Singapore	Publisher of computer software	Ordinary S\$1 shares	–	100
Eidos Interactive KK	Japan	Publisher of computer software	100 million yen	–	100
Joint Ventures					
Proein SL	Spain	Publisher of computer software	Common shares of 1,000 Pesetas each	75	–
Pyro Studios SL	Spain	Developer of computer software	Common shares of 1,000 Pesetas each	25*	–
Eidopt AS	Norway	Research and Development	Ordinary shares	–	50
Associated undertakings					
Hothouse Holdings Limited (formerly Clockwork Holdings Limited)	England and Wales	Developer of computer software	Ordinary shares	–	25
Silicon Dreams Studio Limited	England and Wales	Developer of computer software	Ordinary shares	–	25
Sports Interactive Limited	England and Wales	Developer of computer software	Ordinary shares	25	–
Ion Storm LP	USA	Developer of computer software	Partnership units	51	–

All the above companies operated principally in their country of incorporation.

*Effective holding shown

13 Stocks

	Group		Company	
	31 March 2001	31 March 2000	31 March 2001	31 March 2000
	£'000	£'000	£'000	£'000
Raw materials and consumables	494	496	-	-
Finished Goods	2,621	12,790	-	-
	3,115	13,286	-	-

14 Debtors

	Group		Company	
	31 March 2001	31 March 2000	31 March 2001	31 March 2000
	£'000	£'000	£'000	£'000
Trade debtors	18,833	61,069	-	-
Prepaid licences	3,855	9,582	-	-
Amounts owed by group undertakings	-	-	95,942	76,385
Deferred tax asset (see note 17)	1,428	1,268	-	-
Corporation tax receivable	3,341	-	-	-
Other debtors	2,052	2,085	867	911
Prepayments and accrued income	1,880	3,661	303	287
	31,389	77,665	97,112	77,583

Included within prepaid licences is £2,791,000 (2000: £6,264,000) in respect of periods that extend beyond one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	31 March 2001	Restated (see note 1) 31 March 2000	31 March 2001	31 March 2000
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 28)	18,868	80,616	18,759	78,160
Obligations under finance leases	67	148	-	-
Trade creditors	7,313	14,656	349	244
Royalty creditors	4,536	8,380	-	-
Amounts owed to Group undertakings	-	-	34,003	9,244
Other taxes and social security costs	1,302	5,960	861	668
Other creditors	1,511	287	48	124
Accruals and deferred income	8,426	9,749	2,177	3,015
Corporation tax payable	11,296	20,180	9,822	27,165
	53,319	139,976	66,019	118,620

16 Creditors: amounts falling due after more than one year

	Group		Company	
	31 March	Restated (see note 1) 31 March	31 March	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Accruals and deferred income	2,000	2,200	-	-
Obligations under finance leases:				
Due between one and two years	56	53	-	-
Due between two and five years	262	-	-	-
	2,318	2,253	-	-

17 Deferred taxation

	Group		Company	
	31 March	31 March	31 March	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Unrecognised tax (assets)/liabilities				
Excess of tax allowances over book depreciation of fixed assets	(390)	(717)	-	98
Other timing differences	(9,073)	(7,374)	-	-
Tax effect of losses carried forward	(25,718)	(1,040)	-	-
	(35,181)	(9,131)	-	98
Recognised tax (assets)				
Tax effect of losses carried forward	(1,428)	(1,268)	-	-
	(1,428)	(1,268)	-	-

The tax effect of losses carried forward includes £16 million acquired tax losses which arose during the year ended 31 March 1999 on the acquisition of Crystal Dynamics, Inc. which are available over a number of years.

18 Called up share capital

	31 March 2001	31 March 2000
	£'000	£'000
Authorised		
142,500,000 ordinary shares of 2p each (2000: 142,500,000 2p shares)	<u>2,850</u>	<u>2,850</u>
Allotted called up and fully paid		
103,931,470 ordinary shares of 2p each (2000: 103,526,440 2p shares)	<u>2,079</u>	<u>2,071</u>

During the year, 170,548 shares were allotted following the exercise of Eidos options as shown in the table below. In addition 234,482 were allotted in conjunction with the US Stock Purchase Plan. The total consideration received on all share allotments was £795,739 cash (total nominal value £8,101).

Options have been granted for 2p ordinary shares as follows:

	At 1 April 2000	Granted in year	Exercised in year	Lapsed in year	At 31 March 2001	Option Exercise Price	Option Exercise Period
Approved Scheme	50,000	-	-	-	50,000	68.67p	21/07/97 to 19/07/04
	100,000	-	-	-	100,000	70.00p	11/03/98 to 09/03/05
	19,145	-	-	-	19,145	156.67p	11/09/01 to 11/02/02
	19,130	-	-	-	19,130	156.80p	25/04/99 to 24/04/06
	19,935	-	(1,000)	-	18,935	158.40p	03/04/99 to 01/04/06
	30,360	-	(30,360)	-	-	171.50p	21/01/00 to 20/07/00
	22,000	-	-	-	22,000	171.50p	21/01/00 to 15/06/01
	194,970	-	(7,500)	(7,500)	179,970	171.50p	21/01/00 to 19/01/07
	-	20,000	-	-	20,000	332.00p	11/04/03 to 11/10/03
	-	187,209	-	(19,036)	168,173	332.00p	11/04/03 to 10/04/10
	8,195	-	-	-	8,195	366.00p	29/05/02 to 28/05/09
Unapproved Scheme	1,075,000	-	-	(358,333)	716,667	117.00p	14/10/01 to 12/11/01
	1,000,000	-	-	-	1,000,000	117.00p	14/10/01 to 13/10/05
	746,810	-	-	(465,955)	280,855	156.67p	11/09/01 to 11/02/02
	250,000	-	-	-	250,000	156.67p	11/09/01 to 10/09/05
	180,870	-	-	-	180,870	156.80p	25/04/99 to 24/04/03
	348,065	-	(57,000)	-	291,065	158.40p	03/04/99 to 01/04/03
	14,640	-	(14,640)	-	-	171.50p	21/01/00 to 20/07/00
	1,500	-	-	-	1,500	171.50p	21/01/00 to 15/06/01
	211,595	-	-	-	211,595	171.50p	21/01/00 to 19/01/04
	125,520	-	-	-	125,520	171.50p	16/10/00 to 14/10/04
	-	552,532	-	(25,964)	526,568	332.00p	11/04/03 to 10/04/07
	116,805	-	-	-	116,805	366.00p	29/05/02 to 28/05/06
US Stock option Plan	197,440	-	(42,900)	-	154,540	283.20c	21/01/00 to 19/01/04
	225,000	-	-	-	225,000	584.60c	29/05/02 to 28/05/06
	-	450,000	-	(100,000)	350,000	525.60c	11/04/03 to 10/04/07
Crystal Dynamics Inc. Stock option plan	545	-	-	(545)	-	110.20c	05/11/98 to 11/10/04
	380	-	-	(380)	-	137.80c	05/11/98 to 31/07/06
	<u>4,957,905</u>	<u>1,209,741</u>	<u>(153,400)</u>	<u>(977,713)</u>	<u>5,036,533</u>		
	At 1 April 2000	Started in year	Exercised in year	Lapsed in year	At 31 March 2001	Exercise Price	Maturity Date
Sharesave Schemes	158,315	-	(16,175)	(32,010)	110,130	140.0p	01/02/02
	-	193,667	-	(3,264)	190,403	178.0p	01/02/04
	-	31,522	-	(1,741)	29,781	178.0p	01/02/05
	37,105	-	(515)	(12,160)	24,430	293.0p	01/08/02
	-	144,104	(458)	(42,976)	100,670	229.0p	01/08/03
	-	24,634	-	(23,834)	800	4.49€	01/06/03
	-	45,526	-	(33,523)	12,003	4.49€	01/06/04
	10,720	-	-	(10,720)	-	9.29€	01/12/02
	27,465	-	-	(27,465)	-	9.29€	01/12/04
	-	412	-	-	412	262.0p	01/06/03
	8,340	-	-	(6,615)	1,725	936.4p	01/02/03
	<u>241,945</u>	<u>439,865</u>	<u>(17,148)</u>	<u>(194,308)</u>	<u>470,354</u>		

19 Share premium account and reserves

Group	Share premium account	Other reserves	Profit & loss account
	£'000	£'000	£'000
Balance at 1 April 2000	85,034	707	38,607
Profit/(loss) for the period	-	-	(97,329)
Exchange difference arising on consolidation	-	-	256
Goodwill relating to the disposal of investment	-	-	475
Premium on new issue of shares	788	-	-
At 31 March 2001	85,822	707	(57,991)

Company	Share premium account	Other reserves	Profit & loss account
	£'000	£'000	£'000
Balance at 1 April 2000	85,034	167	8,951
Loss for the period	-	-	(42,410)
Premium on new issue of shares	788	-	-
At 31 March 2001	85,822	167	(33,459)

The Company has taken advantage of Section 230 of the Companies Act 1985 and not prepared a separate profit and loss account for its own activities. The Company's loss for the financial year was £42,410,000 (2000: £35,527,000 profit).

Goodwill

In accordance with the Group's accounting policy, the goodwill arising on acquisitions prior to 1 April 1998 has been written off against the merger reserve arising on consolidation and the balance to the profit and loss account. £38,560,000 (2000: £39,035,000) cumulative goodwill has been written off to these reserves (£27,530,000 to the merger reserve and £11,030,000 to the profit and loss account). £4,271,000 (2000: £3,796,000) has been reinstated and written off through the profit and loss account.

In accordance with FRS10 goodwill previously written off directly to reserves of £475,000 relating to shares in Innerloop Technologies AS has been transferred to the profit and loss account, following the part disposal of the investment in Vision Park Entertainment AB (see note 12).

20 Reconciliation of movements in shareholders' funds

	Year ended 31 March	Year ended 31 March
	2001	2000
	£'000	£'000
Group		
Total recognised gains/(losses) relating to the year	(97,073)	24,169
New share capital issued	796	35,212
Goodwill relating to the disposal of investment	475	-
Goodwill written off through the profit and loss account	-	506
Net movement in shareholders' funds	(95,802)	59,887
Opening shareholders' funds	126,419	66,532
Closing shareholders' funds	30,617	126,419

21 Reconciliation of operating profit/(loss) to net cash outflow/(inflow) from operating activities

	Year ended 31 March	(Restated see Note 1) Year ended 31 March
	2001	2000
	£'000	£'000
Operating (loss)/profit including exceptional cash outflows of £17,838,000	(52,973)	(23,888)
Loss on disposal of fixed assets	233	-
Depreciation of tangible fixed assets	2,428	3,150
Amortisation and write off of goodwill	10,915	10,479
(Increase)/Decrease in stocks	10,591	(7,921)
(Increase)/Decrease in debtors	55,012	(20,628)
Increase/(decrease) in creditors	(24,318)	10,341
Net cash (outflow)/inflow from operating activities	<u>1,888</u>	<u>(28,467)</u>

22 Analysis of net funds

	At 1 April 2000	Cashflow	Exchange movements	Other non-cash movements	At 31 March 2001
Net cash:	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	103,449	(75,373)	279	-	28,355
Bank loans and overdrafts	(80,616)	61,748	-	-	(18,868)
	<u>22,833</u>	<u>(13,625)</u>	<u>279</u>	<u>-</u>	<u>9,487</u>
Net Debt:					
Finance leases	(201)	274	(21)	(437)	(385)
At 31 March 2001	<u>(201)</u>	<u>274</u>	<u>(21)</u>	<u>(437)</u>	<u>(385)</u>
Net funds	<u>22,632</u>	<u>(13,351)</u>	<u>258</u>	<u>(437)</u>	<u>9,102</u>

23 Contingent liabilities

The Company has given a guarantee in respect of leasehold liabilities of Hothouse Holdings Limited, an associated undertaking, to a maximum of £36,000 per annum until September 2001.

Eidos plc, is a defendant in a lawsuit filed in Liege, Belgium on 30 May 2000 in which a number of individual professional football players and a number of European football clubs and certain of their shareholders are claiming 100 million Belgian francs (approximately £1.5 million) for unauthorised use by Eidos of their names, logos, images and other identifying characteristics in its "UEFA Champions League" games 1998/1999 and 1999/2000. The Company's insurers have been notified but at this time, neither the Directors nor their legal advisers believe it is possible to predict the likely outcome. The Company intends to defend the case strongly. No provision has been made in respect of this claim.

Eidos Interactive, Inc., a wholly owned subsidiary, is a defendant in a law suit filed in Colorado which stems from a shooting at Columbine High School which took place in 1999. There are twenty-five defendants, including film companies, internet companies, other games companies and console manufacturers. The claim is that playing video games, watching violent films and down-loading pornography from the internet caused the shooting insofar as these activities made violence pleasurable and disconnected it from reality. The plaintiffs are claiming damages in the region of US\$5 billion. The Company's insurers have been notified and the Company is in the process of organising its defence. At this time, neither the Directors nor their legal advisors believe it is possible to predict the outcome. The Company intends to defend the case strongly. No provision has been made in respect of this claim.

24 Commitments under operating leases

The Group had the following annual commitments under non-cancellable operating leases, analysed by category and expiry date:

	Land and buildings		Motor vehicles and equipment	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Within one year	241	86	224	97
In two to five years	582	518	440	428
After five years	1,351	1,457	-	6
	<u>2,174</u>	<u>2,061</u>	<u>664</u>	<u>531</u>

25 Capital commitments

As at 31 March 2001 the Group had contracted to make payments, conditional upon the completion of development milestones, totalling £13.7 million to various licensors and developers involved in providing games software for the Group's use. £11.2 million is payable within one year and the remaining £2.5 million is split with £2.0 million is due within one to two years and £0.5 million due within two to three years. All development contracts can be terminated by Eidos at any time if the development milestones are not achieved, without any penalties.

26 Pension commitments

Effective from 1 January 1997 the Group has operated a defined contribution private pension plan for UK employees. The assets of the plan are held separately from those of the Group in an independently administered fund. Defined contributions are paid to the plan and charged to the profit and loss account as incurred. Contributions paid by the Group during the year were £428,000 (2000: £498,000). At the year end no contributions were outstanding.

In addition one Director is a member of the Core Design Pension Scheme. This is also a defined contribution scheme. Contributions paid by the Group during the year were £27,900 (2000: £25,950). At the year end no contributions were outstanding.

All overseas pension arrangements are also of a defined contribution nature. Contributions paid by the Group during the year were £328,000 (2000: £334,000).

Stakeholder pensions

By October 2001, the UK Government will make it compulsory for most companies in the UK employing over 5 members of staff to give their staff access to Stakeholder pensions. Eidos plc has reviewed its Group Personal Pension Plan and implemented a number of minor changes (such as lowering the entrance age) to ensure that the Plan is Stakeholder Exempt and no further action need be taken to comply.

27 Related party disclosures

- a) During the year the Group paid £7.1 million to its associated companies as royalties and advances on games being developed for the Group.
- b) In July 1999 Eidos acquired a 75% stake in Proein SL. In the year to 31 March 2001 Eidos sold games to Proein SL totalling £1.2 million. These games were all sold on an arm's length basis. In addition in the same period Eidos paid £1.0 million to Pyro Studios SL (in which Eidos acquired a 25% stake) as royalties and advances for the development of games for Eidos. At 31 March 2001 Eidos was owed £159,000 by Proein SL, (via a third party distributor) and owed Pyro Studios SL £139,000.
- c) On 15 December 2000, the business and assets of Glassworks Productions Ltd, a subsidiary undertaking of the Company, were sold to Glassworks Post Productions Ltd, a subsidiary of Das Werk AG, for £700,000. Hector Macleod, a Director of Glassworks Productions Ltd, is also a Director and minority shareholder of Glassworks Post Productions Ltd. On 21 December 2000, Glassworks Productions Ltd changed its name to Eidos Post Productions Ltd.

The Group has taken advantage of the exemption in Financial Reporting Standard No 8 in respect of subsidiaries which are greater than 90% subsidiaries.

All inter-company transactions are calculated on an arm's length basis.

28 Derivatives and other financial instruments

The Operating and Financial Review provides an explanation of the role that financial instruments have had during the period in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial liabilities as defined in Financial Reporting Standard 13: Derivatives and Other Financial Instruments: Disclosures (FRS 13). Certain financial assets such as investments in subsidiary, joint and associated undertakings are excluded from the scope of these disclosures.

As permitted by FRS13, short-term debtors and creditors have been excluded from the disclosure, other than the currency disclosures.

Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2001 and 2000 was:

	Floating rate financial liabilities		Total	
	2001	2000	2001	2000
Currency	£'000	£'000	£'000	£'000
Sterling	18,868	51,971	18,868	51,971
US Dollar	–	26,250	–	26,250
Euros	–	2,395	–	2,395
	18,868	80,616	18,868	80,616

There were no fixed rate or non-interest bearing financial liabilities at 31 March 2001. The floating rate financial liabilities all bore interest at rates based on LIBOR.

Currency exposures

The Group's objective in managing the currency exposures is to minimise gains and losses arising in its overseas subsidiaries.

The Company provides working capital to its overseas subsidiaries in their functional currencies and hedges its exposure in accordance with the policy described in the Operating and Financial Review on page 5.

The table below shows the Group's currency exposures, i.e. those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. These exposures were as follows:

Functional currency of group operation	Net foreign currency monetary assets/(liabilities)						Total
	US dollar	Euros	Deutschmark	French Franc	Singapore dollar	Japanese Yen	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	49,837	13,843	-	-	363	175	64,218
US Dollar	-	122	-	-	-	-	122
At 31 March 2001	<u>49,837</u>	<u>13,965</u>	<u>-</u>	<u>-</u>	<u>363</u>	<u>175</u>	<u>64,340</u>
At 31 March 2000	<u>26,691</u>	<u>(2,181)</u>	<u>13,697</u>	<u>1,962</u>	<u>80</u>	<u>(156)</u>	<u>40,093</u>

On 31 March 2001, forward contracts to protect the profit and loss account against US dollar exchange movements were closed. These forward contracts had been established to minimise exposure arising from US intercompany trading debts and other advances. Further instruments will be acquired as necessary.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2001 was as follows:

	2001	2000
	£'000	£'000
In one year or less	18,868	80,616

Borrowing facilities

At 31 March 2001 the Group had drawn down £18,500,000 of the term loan facility and an overdraft of £368,000. The Group has a multi-currency credit facility with a maximum draw down (available at specified times in the year) of £50 million at 31 March 2001. These facilities are secured by a fixed and floating charge over the assets of the Group. The interest rate payable on the loan is between 2.5% and 3.25% above LIBOR (depending on the level of the drawdown).

Subsequent to the year end, the above facility has been varied, as part of the Group's refinancing, to a committed £15 million facility (repayable May 2003) following receipt of the proceeds of the rights issue.

Fair values

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 March 2001.

	2001		2000	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Primary financial instruments held or issued to finance the Group's operations				
Borrowing falling due after more than one year	(18,500)	(18,500)	-	-
Short-term borrowings	(368)	(368)	(80,616)	(80,616)
Financial assets:				
Investments	5,103	16,790	39,921	80,586
Cash	28,355	28,355	103,449	103,449

The fair values of listed investments have been determined using published prices at the year end. All other investments have been valued at cost, as this is not significantly different from their fair values.

Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on trading balances denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. There were no unrecognised gains or losses at the year end as all forward currency contracts have been closed.

	Restated 15 months ended 31 March 1996	Restated Year ended 31 March 1997	Year ended 31 March 1998	Year ended 31 March 1999	Restated Year ended 31 March 2000	Year ended 31 March 2001
	£'000	£'000	£'000	£'000	£'000	£'000
Sales and results						
Turnover (pre-exceptional items)	<u>3,706</u>	<u>75,531</u>	<u>137,234</u>	<u>226,284</u>	<u>194,801</u>	<u>160,393</u>
Operating (loss)/profit	<u>(3,103)</u>	<u>(6,441)</u>	<u>19,453</u>	<u>39,170</u>	<u>(26,831)</u>	<u>(57,289)</u>
Profit / (Loss) from sale of operations	-	130	(1,852)	-	80,236	-
Write Down on Investment	-	-	-	-	-	(36,308)
Income from Investments	-	-	-	-	-	136
Interest receivable	<u>60</u>	<u>309</u>	<u>1,281</u>	<u>1,769</u>	<u>1,110</u>	<u>835</u>
	<u>(3,043)</u>	<u>(6,002)</u>	<u>18,882</u>	<u>40,939</u>	<u>54,515</u>	<u>(92,626)</u>
Interest payable and similar charges	<u>(55)</u>	<u>(829)</u>	<u>(2,375)</u>	<u>(3,019)</u>	<u>(5,240)</u>	<u>(3,732)</u>
(Loss)/profit before taxation	<u>(3,098)</u>	<u>(6,831)</u>	<u>16,507</u>	<u>37,920</u>	<u>49,275</u>	<u>(96,358)</u>
Taxation	<u>-</u>	<u>(1,450)</u>	<u>(5,642)</u>	<u>(13,670)</u>	<u>(24,072)</u>	<u>(971)</u>
Retained (loss)/profit	<u>(3,098)</u>	<u>(8,281)</u>	<u>10,865</u>	<u>24,250</u>	<u>25,203</u>	<u>(97,329)</u>
Net assets employed						
Fixed assets	2,073	5,215	18,316	43,771	74,248	23,395
Net current assets/(liabilities)	<u>(1,319)</u>	<u>25,592</u>	<u>52,074</u>	<u>53,574</u>	<u>54,424</u>	<u>9,540</u>
	754	30,807	70,390	97,345	128,672	32,935
Long term liabilities	<u>(580)</u>	<u>(425)</u>	<u>(29,454)</u>	<u>(30,813)</u>	<u>(2,253)</u>	<u>(2,318)</u>
	<u>174</u>	<u>30,382</u>	<u>40,936</u>	<u>66,532</u>	<u>126,419</u>	<u>30,617</u>
(Loss)/earnings per share	(13.3)p	(11.9)p	12.8p	28.3p	25.9p	(93.9)p

The results for the periods ended 31 March 1996 and 31 March 1997 were restated to reflect a change in accounting policy. With effect from 1 April 1997, all software development expenditure is charged to the profit and loss account in the period in which it is incurred. In previous accounting periods these costs were capitalised.