

EIDOS

ANNUAL REPORT AND ACCOUNTS **2002**

EIDOS

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Eidos is a public limited company registered in England. Its Ordinary shares are listed on the London Stock Exchange and, in the form of American Depositary Shares, on the NASDAQ National Market.

This report is the Annual Report of Eidos plc for the fifteen month period ended 30 June 2002 and complies with UK regulations. The Annual Report is also available on the Eidos website at www.eidos.com.

In this report, the "Company" refers to Eidos plc and the "Group" refers to Eidos plc and its consolidated subsidiaries.

Separate Reports on Form 20-F have been prepared to meet US regulations and were filed with the US Securities and Exchange Commission (SEC) on 30 September 2002. These cover the twelve month period to 31 March and the three month period to 30 June 2002.

Cautionary Statements

Certain statements made in this Annual Report with respect to the Group's plans, strategies and beliefs and other statements that are not historical facts are forward-looking statements (as that term is defined in the United States Private Securities Legislation Reform Act of 1995) that involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements including, without limitation, general economic conditions in the Group's markets, particularly levels of consumer spending; exchange rates, particularly between the pound sterling and the U.S. dollar, in which the Group makes significant sales; and the Group's ability to continue to win acceptance of its products, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and subjective and changing consumer preferences (particularly in the entertainment business) and other risks described in reports and filings made by Eidos plc with the SEC. The Company undertakes no obligation to update any forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise.

Eidos is one of Europe's largest developers and publishers of entertainment software. The Group's primary focus is the development of its own content through internal development resources, augmented by relationships with external development studios. The Group has a broad based publishing portfolio built around key franchises such as Tomb Raider, Championship Manager, Soul Reaver and Commandos, and original titles that it believes have franchise potential. Tomb Raider is one of the world's most successful video game franchises owned by an independent publisher with total unit sales currently exceeding 28 million units.

The Company was formed in May 1990 to develop video editing systems and subsequently extended its activities to include the development of proprietary, software-based video compression technology to be used in CD-ROM and video telephony applications. The Company later broadened its strategic focus to include developing and publishing entertainment software. To implement this strategy, the Group made the following key acquisitions before divesting of its non-core businesses during the year to 31 March 2001 to focus on its entertainment software business.

- In October 1995, the Group acquired three entertainment software companies including Domark Group Limited, the publisher of the Championship Manager series of games.
- In April 1996, the Group acquired the CentreGold Group PLC, which included Core Design Limited, the developer of the Tomb Raider franchise.
- In November 1998, the Group acquired Crystal Dynamics, Inc, the Silicon Valley based developer of the Soul Reaver and Blood Omen franchises.
- In July 1999, the Group acquired 75% and 25% holdings in Proein SL and Pyro Studios SL, respectively. Proein is a Spanish distributor of entertainment software whilst its sister company, Pyro Studios, is the developer of the Commandos franchise.

The Group currently employs over 300 development staff working within 13 teams in four wholly-owned or partly-owned studios and this resource is further augmented by a programme of external development. The Group develops entertainment software for publication on the PlayStation 2, Xbox and GameCube formats, in addition to developing selected PC CD titles. The Group sells its products mainly in the United States and Europe, where it has direct relationships with approximately 550 retailers and distributors operating a network of 27,600 outlets.

Details of the Group's full range of entertainment software titles are available at www.eidos.com

Review of Operations

The Group's results for the fifteen months to 30 June 2002 underline the significant improvements we have introduced to our business. The increase in gross margins and the reduction in fixed operating expenses that we have achieved in the period, coupled with the strong cash position resulting from our July 2001 Rights Issue, gives us the best possible foundation for the current year and beyond. Wherever possible, we have put the necessary measures in place to maintain the levels of prudence and operational efficiency required to lock-in these improvements in our reported financial performance. We will continue to review all our business processes which we believe will yield further progress and help prepare the Group for the next stage in its development.

The outlook for consumer spending in most of the economies in which we operate remains uncertain. Nevertheless, we believe that there are strong signs that the market for entertainment hardware and software has significant momentum and that it should continue to demonstrate solid growth in the immediate future. Independent sources* estimate that the market for entertainment software remains on course to grow from US\$17.7bn in 2001 to US\$21.4bn in 2003. We believe that our strategy of focusing on franchise properties with proven track records of success will provide the best possible opportunity for profiting from this growth potential. New titles such as Backyard Wrestling and Ace Golf give our portfolio further depth and increase our opportunities to participate fully in a growth market, without unduly exposing our release schedule to the risks inherent in bringing new concepts and franchises to market.

We are now in the final stages of the development and testing of several of our key franchise titles. The full efforts of senior management are being directed towards the timely delivery of these titles. The Board believes that the factors which gave us cause for optimism when we announced our results for the twelve months to 31 March 2002

remain unchanged and consequently that our future prospects remain good. We continue to believe that our balanced portfolio approach to the business, when combined with the on-going efforts to drive further lasting change and real process improvement, gives us the best possible basis for delivering on our plans for improved financial performance and sustainable growth.

Board and Management

The appointments during the period of David Adams as an independent non-executive director and Stuart Cruickshank as Group Finance Director have helped to further strengthen the Board. Both bring with them a wealth of commercial experience to complement the diverse mix of skills and experience of their fellow Board members.

My own appointment as independent non-executive Chairman in April 2002, and Ian Livingstone's subsequent appointment as Creative Director, complete the Board changes in the period. On behalf of the Board and the rest of the Group I would like to thank Ian for his valued service and contribution as Chairman of the Company since 1995.

These changes underline the Group's commitment to maintaining a Board comprising high calibre individuals and achieving the highest standards of corporate governance.

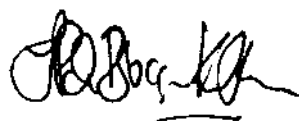
Current trading and prospects

We will shortly be entering the busiest and most exciting period of the Group's financial year. Key franchise titles including Hitman 2 (PlayStation 2, Xbox and PC CD), TimeSplitters 2 (PlayStation 2, GameCube and Xbox) and Championship Manager 4 (Xbox and PC CD) are all scheduled for release in the coming months. In addition, Lara Croft Tomb Raider: The Angel of Darkness, the latest installment of the Tomb Raider franchise is due to be released for the first time on PlayStation 2 and also on PC CD. The critical acclaim that these titles and other future Eidos releases received during the recent E3 trade show in Los Angeles reaffirms our belief that they have the potential to achieve mass-market acceptance and so reach the widest possible audience of gamers. We were

particularly pleased to see TimeSplitters 2 named the best first person shooter of the show on both the PlayStation 2 and GameCube formats, by the independent online games magazine, IGN.

Employees

Finally, I would also like to take this opportunity to thank all of our employees for their continued hard work and enthusiasm during a period that we hope will mark a turning point in the Group's operating performance and reported results.



John van Kuffeler
Chairman

*Source: Datamonitor

The Group's results for the fifteen months to 30 June 2002 show significant improvements in its operating and financial performance. Turnover was down to £128.9 million from £164.2 million (pre exceptional charges) in the prior twelve month period, however gross margins were increased from 50.2% (pre exceptional charges) to 58.3% and there were further reductions in the Group's fixed cost base. Overall losses were reduced to £30.7 million for the fifteen months to 30 June 2002 from £97.3 million for the twelve months to 31 March 2001.

Revenue

Turnover for the fifteen month period was £128.9 million, compared to £164.2 million (pre exceptional charges) in the twelve months to 31 March 2001. We released twenty one new games in the fifteen month period (twelve months to 31 March 2001: twenty), including eleven for PlayStation 2 and three for Xbox. A number of key franchise titles such as Blood Omen 2, Soul Reaver 2, and the PC CD versions of Commandos 2 and Championship Manager Season 01/02, all sold in excess of 500,000 units during the period. Whilst we were broadly satisfied with the performance of these titles the balance of our portfolio of new releases did not meet expectations. Catalogue sales of earlier versions of franchise titles such as Tomb Raider, Deus Ex and TimeSplitters remained strong in the period.

In total, 12.1 million units were shipped in the period, compared to 15.3 million during the twelve months to 31 March 2001. There was however a relatively modest increase in the gross average selling price from £12.02 to £12.72 over the period. Overall, approximately 54.8% of Eidos' revenue for the fifteen month period was derived from console based games, compared to 61% in the prior period. The apparent decline in revenues from console based games reflects not only the relative success of the PlayStation version of "Who Wants to Be A Millionaire?" in the prior period, but also the success of the PC CD titles Commandos 2 and Championship Manager Season 01/02 in the current period.

Looking forward it is likely that this trend will however be reversed and that the Group will derive an increasing amount of its revenues from console based games as the Group seeks to exploit fully the opportunities arising from the growth in the market for next generation consoles and software.

Operating results

The gross margin for the fifteen months to 30 June 2002 was 58.3% compared to 50.2% (pre exceptional charges) for the twelve months to 31 March 2001. Improved controls over channel and inventory exposures contributed to the increase in margins in the period, whilst royalty costs were also greatly reduced. This was partly as a result of the shift towards internally developed titles and the reduced reliance on licensed titles during the period. Gross margins are forecast to fall slightly in the coming year as a result of a shift in the sales mix towards console titles, however they are nevertheless expected to remain significantly ahead of the levels reported in the twelve months to 31 March 2001.

Operating expenses before goodwill for the fifteen month period fell to £99.3 million, from £106.7 million for the twelve months to 31 March 2001 (pre exceptional charges). Whilst improved controls over variable marketing expenses have contributed to this decrease, the majority of the savings have come from sustained downward pressure on the Group's fixed cost base. Over a two-year period the Group has now exceeded its target for reducing the level of fixed costs, by achieving on-going savings of £22.7 million. It is the Group's intention to aggressively manage its fixed costs after adjusting for one off costs and any effects of the change in year end.

Improved controls over variable advertising costs were introduced into the Group's publishing businesses during the period, with the aim of targeting annual expenditure more effectively. Advertising costs in the fifteen months to 30 June 2002 were £15.7 million (12.2% of turnover) compared to £23.1 million (14.1% of pre exceptional turnover) for

the twelve months to 31 March 2001. During the period retail co-operative advertising expenses of £2.0 million incurred in the USA were reclassified from turnover to advertising costs (2001: £3.8 million). This treatment more accurately reflects the nature of the expenditure and allows closer monitoring within the improved framework of controls on variable advertising spend.

The fixed element of selling and marketing costs was reduced to £10.2 million compared to £18.4 million in the prior year. The significant reduction in expenditure is due to reduced exhibition expenditure in the period and permanent savings arising from salary and licence amortisation costs in our publishing businesses. Research and development represents the Group's total investment in product development of £48.6 million (2001: £42.5 million). The Group intends to maintain this level of investment in developing titles for future release. General and administrative costs before goodwill amortisation were £24.9 million, compared to £22.6 million (pre exceptional charges) in the twelve months to 31 March 2001. This represents a reduction in like for like expenditure reflects significant permanent savings in salary and other costs. Total general and administrative costs for the period were £31.8 million including goodwill amortisation of £7.0 million, compared to £33.5 million including goodwill amortisation of £10.9 million in 2001 (pre exceptional charges). The reduction in the amortisation charge resulted from the goodwill relating to the 1998 acquisition of Crystal Dynamics, Inc becoming fully amortised during the period.

After deducting total operating expenses of £106.3 million, Eidos reported an operating loss of £35.9 million for the period. This included the Group's share of joint venture operating profits of £1.8 million (before goodwill amortisation). This compares to pre-exceptional losses for the twelve months to 31 March 2001 of £39.5 million, which included joint venture operating profits of £0.9 million.

Exceptional items

The Group disposed of its remaining shareholding in Opticom ASA during the period, realising net proceeds of £11.0 million and a net profit of £8.5 million. This profit was partially off-set by write downs and losses on other disposals of £4.1 million, which occurred following a review of the Group's other investments in the period.

Taxation

The Group recorded a small tax charge in the period. This largely comprises the Group's share of taxes payable in its profitable joint venture companies. Significant brought-forward losses remain available within the Group to offset future trading profits. The Group has however reviewed the provisions of FRS19 - Deferred Tax, and believes that no further amounts should be recognised in respect of these losses

Earnings per share

Eidos reported a loss after tax of £30.7 million for the fifteen months to 30 June 2002 compared to a loss of £97.3 million for the twelve months to 31 March 2001. The basic loss per share was 22.9p compared to a loss of 84.5p for the twelve months to 31 March 2001, based on a weighted average number of shares of 133,957,160 (2001: 115,223,869).

Excluding goodwill, the loss per share was 12.8p for the fifteen month period (2001: loss per share of 70.5p).

Liquidity and capital resources

The 1 for 3 Rights Issue announced on 31 May 2001 was successfully completed in July 2001, raising £51.6 million net of costs.

At 30 June 2002 Eidos had net assets of £56.6 million compared to £30.6 million at the start of the period. This increase is mainly attributable to the proceeds from the Rights Issue, less the net losses incurred during the period. Net assets at 30 June 2002 include goodwill of £1.0 million (2001: £13.8 million), tangible fixed assets and investments of £8.5 million (2001: £9.6 million), net current assets of £49.7 million (2001: £9.5 million) and other long term creditors of £2.7 million (2001: £2.3 million).

At the period end Eidos had cash balances of £59.1 million (2001: £28.4 million) and no gross debt (2001: £18.9 million). Net funds increased by £49.7 million during the period, before the management of liquid resources. This reflects the net cash inflow of £53.0 million that was generated by the issue of ordinary share capital arising from the Rights Issue and other smaller transactions in the period. The Group also disposed of its remaining stake in Opticom ASA in November and December 2001 generating £11.0 million.

Included within the net repayment of tax for the period of £4.4 million (2001: net payment of £12.6 million) is a repayment of £11.4 million that comprises a tax rebate of £10.5 million plus accrued interest of £0.9 million. The Group received the monies in the period following the submission of a claim to the Inland Revenue, which remains subject to final agreement. Until such time as the Inland Revenue has concluded its work in this respect, the Group has retained this within Creditors: amounts falling due within one year. Operating activities generated a cash outflow of £18.6 million (2001: cash inflow of £1.9 million), reflecting the operating loss incurred during the period.

The Euro

In early 2002 Euro notes and coins were introduced to replace the respective local currencies of the 11 participating member states of the European Union. It is not clear whether or when the United Kingdom will adopt the Euro, such a change requiring a decision by the U.K. Government to proceed. The current U.K. Government has stated that it will hold a national referendum on the issue of entry into the European Monetary Union. The financial information systems used in the European offices are all capable of operating in multiple currencies including the Euro. The costs relating to the introduction of the Euro have been negligible.

To date, the Group has not yet experienced any significant margin erosion due to retail pricepoints moving to the Euro. As the introduction of the Euro is still in

the initial stages we will continue to monitor the position carefully. Whilst there is no consistent Pan-European pricepoint, we are seeing closer parity in pricing in the major markets and where this does not occur in the 'smaller' markets, product localisation continues to minimise any grey imports.

Derivatives and other financial instruments

During the period 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 (principally swaps and 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 agreed a £15 million multi-currency credit facility with The Royal Bank of Scotland in addition to an £0.8 million Japanese Yen facility with Dai-ichi Kangyo Bank in Japan. The purpose of these facilities is to finance the Group's working capital and research and development activities. The facilities are required due to the seasonality of the business and the time lag involved in the development cycle.

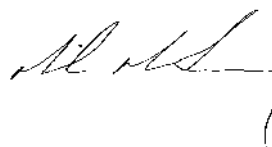
Foreign currency risk

The Group has overseas subsidiaries in France, Germany, USA, Singapore and Japan. Consequently, the Group's Sterling profit and loss account can be significantly affected by movements in the US dollar and Euro. During the period the Group has partially hedged against this exposure using derivatives where necessary.

At 30 June 2002 there were no open derivative positions.

Going concern

The directors, having considered the requirements of the Group and the banking facilities available to the Group, 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 financial statements for the fifteen months to 30 June 2002.



Michael McGarvey
Chief Executive Officer
5 September 2002

Executive Directors

Michael McGarvey (36) joined the Board in October 1997 and was appointed Chief Executive Officer in November 2000. He previously served as Chief Operating Officer from 1997. Prior to that he was Chief Executive Officer of Eidos Interactive, Inc, Vice President, Sales and Marketing, of Domark Software Inc and Director of Sales for Diceon Electronics Inc.

Ian Livingstone (52) joined the Board in October 1995 and was appointed Creative Director in April 2002 when he stepped down as Chairman, a position he had held since 1995. Prior to that he was Managing Director of the Domark Group Limited. 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 as Chairman until 1991.

Jeremy Heath-Smith (41) joined the Board in 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 (38) has served as Technical Director of the Company since joining the Board in June 1994. He has conducted postgraduate studies and subsequent research in the field of image processing and he has published works in the fields of image sequence analysis, machine vision and neural networks. He has developed software for the Joint European Torus and the Defence Research Agency.

Stuart Cruickshank (48) joined the Board as Group Finance Director on 4 September 2001 from Kingfisher Plc, where he was the Finance Director of Woolworths. Prior to that he was Corporate Finance Director at United Biscuits and Finance Director at McVities U.K. and KP Foods. He has also worked at Grand Metropolitan (Diageo) and Whitbread, where he undertook a wide variety of financial roles.

Non-executive Directors

John van Kuffeler (53) joined the Board as non-executive Chairman on 18 April 2002. He is also Chairman of Provident Financial PLC, The Fleming Technology Trust PLC, The Finsbury Smaller Quoted Companies Trust PLC and Huveaux PLC. Prior to taking up these appointments he was Chief Executive of Provident Financial PLC and Brown Shipley Holdings PLC. (n)(r)

Victor Steel (63) has served as a non-executive Director since September 1998. He is also Chairman of Forbidden Technologies plc, Mygard plc and Ideas Hub plc and non-executive Deputy Chairman of Navy Army and Air Force Institutes. His 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)(n)(r)

Allen Thomas (62) is a lawyer qualified in England and the US and has served as a non-executive Director since September 1998. He currently also serves as a non-executive Director of Marconi plc, Highway Insurance Holdings Plc and Penna Consulting Plc. Previously, he served as a partner at international law firm Paul, Weiss, Rifkind, Wharton & Garrison from 1973 to 1992, and was the founding partner of the firm's Hong Kong office. (a)(n)(r)

David Adams (47) joined the Board on 9 May 2001 as a non-executive Director. He is currently Deputy Chief Executive and Finance Director of House of Fraser Plc, a position he has held since 1997. He was previously Finance Director with Asprey Plc, Texas Homecare and Dorothy Perkins & Top Shop. (a)(n)(r)

- (a) Member of Audit Committee
- (n) Member of Nomination Committee
- (r) Member of Remuneration Committee

The directors present their Report and financial statements for the fifteen month period ended 30 June 2002.

Change in Accounting Reference Date

As previously reported, and with a view to reducing the uncertainty surrounding full year forecasting in what is in part a seasonally driven marketplace, the Company changed its accounting reference date during the period from 31 March to 30 June. Consequently, the current accounting period was extended from twelve months ended 31 March to fifteen months ended 30 June 2002. A twelve month reporting cycle based on a 30 June year-end has been adopted going forward.

Principal Activities and Business Review

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

A review of the Group's performance during the period, including commentary on financial performance, likely future developments and prospects are set out on pages 4 to 5 and should be read in conjunction with this report. Principal subsidiaries, joint ventures and associates are listed in note 12 to the accounts.

Results and Dividends

The results for the period are shown in the consolidated profit and loss account on page 17. No dividend has been paid or declared during the period.

Research and Development

The Group is committed to research and development activities as a key strategy to drive organic growth and to improve the Group's competitive position as a market leader in computer games development and publishing. This is evidenced by the £48.6 million research and development spend during the period (2001: £42.5 million)

Major Transactions

On the 11 July 2001, the Company successfully completed a 1 for 3 Rights Issue which raised £51.6 million, net of expenses.

In December 2001, the Company completed the sale of its residual

interest in Opticom ASA, for a cash consideration of £11.0 million.

Further details of these and other minor changes in the structure of the Group are set out in note 12 to the accounts.

Share Capital

Changes in the Company's share capital during the period are given in notes 19 and 20 to the accounts. These include an increase in the authorised share capital from £2.85 million to £3.85 million on 18 June 2001 and the issue of 34.6 million new shares arising from the Rights Issue.

Substantial shareholdings

As at 5 September 2002, Eidos has not received any statutory notification of substantial interests in the issued Ordinary share capital of the Company.

Additional shareholder information, including a profile of shareholdings, appears on page 43.

Directors

The names and brief biographical details of the current directors are given on page 6. All held office throughout the period and up to the date of this report with the exception of:

David Adams (non-executive): appointed 9 May 2001

Stuart Cruickshank (Group Finance Director): appointed 4 September 2001

John van Kuffeler (non-executive Chairman): appointed 18 April 2002

Retirement and Election of Directors

Pursuant to the Company's Articles of Association, Messrs. Heath-Smith, Livingstone and McGarvey will retire by rotation at the Company's forthcoming AGM and, being eligible, offer themselves for re-election. Each of these directors have a service contract in place, details of which, including notice periods, are set out in the Report on Directors' Remuneration on pages 8 to 11.

Having been appointed since the last AGM, John van Kuffeler (who does not have a service contract with the Company) will retire at this year's AGM and, being eligible, offers himself for election.

Directors' Interests

Details of directors' interests (including those of their immediate families and any connected persons) in the share capital of the Company at the beginning and end of the period are set out in the Report on Directors' Remuneration.

Save as disclosed, no contracts or arrangements have been entered into during the period or subsisted at the period end in which a director has, directly or indirectly, a material interest which was significant in relation to the Group's business.

Employee Involvement

The Group aims to attract, retain and motivate the highest calibre of employee by encouraging and rewarding above average performance both on an individual and team contribution basis. Considerable efforts are made to provide employees with a continuing opportunity to develop their full potential by gaining the relevant skills and experience required to deliver on the Group's business objectives.

The Group is also committed to providing equality of opportunity to all existing and prospective employees without unlawful or unfair discrimination. In addition, it is supportive of the employment and advancement of disabled persons.

The Group seeks to create a common awareness amongst all employees of both its short and long term goals and the financial and economic factors affecting the Group's performance. This is achieved through a variety of mediums, including employee briefings, a corporate web-site and intranet and the distribution of information bulletins and reports.

Employee Share Schemes

The Group operates a number of discretionary and all-employee share incentive schemes in the principal countries in which it operates. Details of options granted during the period and subsisting at the period-end, including the adjustments arising out of the Rights Issue, are set out in note 19 to the accounts.

Social Responsibility

The Group's Social Responsibility Statement appears on page 14. Charitable donations of £11,000 were made during the period (2001: £22,000). This amount excludes operating units' free support and participation in local community activities. No political donations were made in the period (2001: nil).

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. For other suppliers, the Group's policy is to:

- settle the terms of payment with those suppliers when agreeing the business transaction;
- ensure that those suppliers are made aware of the terms of payment by including them in the terms and conditions of contract; and
- pay in accordance with contractual and other legal obligations.

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 period was 14 days (2001: 27 days).

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's registered office on Tuesday, 3 December 2002 at 12 noon. A separate circular, comprising a letter from the Chairman, Notice of Meeting, explanation of Special Business and a reply-paid Form of Proxy, accompanies this document.

Auditors

A resolution to re-appoint KPMG Audit Plc as auditors and authorising the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Michael Arnaouti
Secretary
5 September 2002

Remit and Membership of the Remuneration Committee

The Committee's remit is to:

- (a) make recommendations to the Board on the Company's overall remuneration policy; and
- (b) determine the remuneration package of each executive director (and certain members of senior management), including the terms of service and termination, in accordance with the executive remuneration policy determined by the Board.

The Committee comprises all the non-executive directors, each of whom is independent, and is chaired by Allen Thomas. It takes advice from external remuneration consultants as it deems necessary.

Remuneration Policy for Executive Directors

The Company's policy, which also extends to senior management, is to provide remuneration packages which:

- are designed to attract, retain and motivate high calibre executives without paying excessively;
- are competitive and commensurate with other international businesses of similar size, particularly those in the entertainment software industry;
- maintain the correct balance and linkage between individual and corporate performance so as to effectively align the interests of the executive with those of shareholders;
- incentivise and reward superior performance; and
- are based on local country practice.

The remuneration package presently consists of short-term rewards (base salary and annual bonus), long-term incentives (share options) and retirement and other benefits.

In designing the performance related elements of remuneration, the Committee believes it has followed the provisions set out in Schedule A to the Combined Code on Corporate Governance except in relation to discretionary share options where historically no pre-exercise performance condition has been applied to awards made under the Company's executive share option scheme. Since the original 10 year term of this scheme expires in mid 2004, the Board expects to put before shareholders at next year's Annual General Meeting (after consultation with its major institutional shareholders) a proposal to replace the scheme. Any such proposal will include the introduction of appropriate performance conditions at appropriate levels.

Consequently, and in consultation with external consultants, the Committee intends to review prior to next year's AGM the existing remuneration framework and policy, including the level and mix of its remuneration package, to ensure that on an integrated and total reward basis they are properly aligned with the Company's strategic objectives.

Shareholder Approval of Report on Directors' Remuneration

The Board has determined that in line with current best practice, it is appropriate that shareholders be given the opportunity to approve the Board's Report on Directors' Remuneration as set out herein. A resolution to that effect will be proposed at the forthcoming Annual General Meeting.

Remuneration of and Terms of Appointment for Executive Directors

Details of remuneration paid to the executive directors during the fifteen month period ended 30 June 2002 are set out on page 9.

(a) Base Salary

Base salaries reflect job responsibilities, market rate and the sustained level of individual performance. No increase in salary was awarded to the executive directors in respect of their 2001 annual pay review in line with the pay freeze predominantly in place throughout the Group at that time. The salary increase for Michael McGarvey at 1 April 2002 included a deferred recognition of his promotion from Chief Operating Officer to Chief Executive Officer on 1 November 2000.

(b) Annual Bonus

The annual bonus is a short-term reward that reflects the performance of the Group and/or the executive's subsidiary or functional responsibility. Annual bonuses are capped at 100% of base salary. No bonus entitlements were earned during the period.

Jeremy Heath-Smith does not participate in a bonus plan but instead participates in an uncapped annual royalty scheme. This is linked to the underlying profitability of Core Design Limited (the internal development studio for Tomb Raider and other of the Group's games) over which he has day-to-day responsibility. Payments are normally made in the year following that in which they are earned.

(c) Long-term Incentives

The Committee approves the grant of all options under the Company's discretionary share option schemes. Option grants, which are based on the individual's performance and their expected longer-term business contribution, are phased over a number of years. The exercise price is linked to the market price of the Company's shares at the time of grant and in normal circumstances options are available to exercise from the third anniversary of grant.

The Company operates a three year Savings-Related Share Option Scheme that is open to all UK employees including executive directors. As permitted by the Finance Act 1989, the exercise price is normally set at a 20% discount to the market price at the time of grant.

(d) Retirement and Other Benefits

All executive directors participate in the Group Private Pension Plan except for Jeremy Heath-Smith who participates in the Core Design Pension Scheme. Both schemes are defined contribution schemes with the Company's contribution based on a fixed percentage of base salary (i.e. excluding any bonus, royalty or benefits in kind).

Other benefits received include a company car or car allowance and life, disability and health care insurance coverage. Michael McGarvey and Jeremy Heath-Smith also benefit from Company provided accommodation (terminated in respect of the latter on 2 September 2002).

(e) Service Contracts

Except as follows, all executive directors have service contracts with the Company which are terminable on no greater than twelve months prior notice served by either party at any time. The new service contract for Jeremy Heath-Smith is with the Company and Core Design Limited and provides that the twelve-month notice from his employer cannot be served prior to 26 March 2003 or by the executive prior to 26 March 2004. This term of the contract was negotiated so as to create a lock-in arrangement in the mutual interests of both the Company and the executive.

All contracts contain provisions for the Company to make payment in lieu of notice. Whilst no specific provisions exist for compensation on early termination (except in the case of Michael McGarvey arising from a change in control), the Company may seek to apply practical mitigation measures to any such payment, taking into account all relevant circumstances.

Remuneration of and Terms of Appointment for Non-Executive Directors

The Board, following a recommendation by the Chief Executive based on competitive practice, determines the remuneration of the non-executive directors. No increase in fees was awarded during the period. The non-executives are also entitled to charge an agreed daily fee for work done in excess of their normal expected duties and to be reimbursed for Company related expenses.

Non-executive directors are not eligible for bonus or share option awards and their service is not pensionable. They do not have service contracts and have to date been appointed, subject always to the Company's Articles of Association, on a one-year rolling term basis. However the existing terms are to be extended into three-year term appointments with reappointment thereafter subject to review and determination by the Nomination Committee and the Board respectively.

Directors' Remuneration

Individual and total remuneration of the Directors holding office during the period:

Annualised as at 1 July 2002		Fifteen months to 30 June 2002				Twelve months to 31 March 2001		
Salary and/or fees £'000		Salary and/or fees £'000	Bonus £'000	Royalty £'000	Taxable Benefits £'000	Pension Contributions £'000	Total £'000	Total £'000
Executives								
190.0	S Cruickshank (from 4 September 2001)	158.3	-	-	17.8	19.0	195.1	-
250.0	J Heath-Smith	312.5	-	143.0 ⁽²⁾	128.9 ⁽³⁾	37.5	621.9	3,374.3 ⁽²⁾
240.0	I Livingstone	300.0	0.5 ⁽¹⁾	-	42.9	36.0	379.4	302.5
348.0	M McGarvey	357.0	0.5 ⁽¹⁾	-	122.0 ⁽³⁾	27.1	506.6	375.9
82.5	S Protheroe	95.6	0.5 ⁽¹⁾	-	20.7	11.0	127.8	100.2
Non-executives								
25.0	D Adams (from 9 May 2001)	26.6	-	-	-	-	26.6	-
100.0	J van Kuffeler (from 18 April 2002)	20.5	-	-	-	-	20.5	-
40.0	V Steel	50.0	-	-	-	-	50.0	63.1
40.0	A Thomas	62.0	-	-	-	-	62.0	42.5
Former directors		-	-	-	-	-	-	633.1
Total 2002		1,382.5	1.5	143.0	332.3	130.6	1,989.9	4,891.6
Total 2001		1,504.6	-	2,989.3	268.8	128.9	4,891.6	

Notes

- (1) All employees in the Group's publishing business with at least six months continuous service received a £500 bonus during the period in recognition of their on-going commitment to the business in the face of a Group-wide pay freeze and continued difficult trading conditions.
- (2) For Jeremy Heath-Smith, £850,000 of the £2,989,300 royalty earned and accrued in the year ended 31 March 2001, was paid in the fifteen months to June 2002. All royalties for the twelve months to 31 March 2001 have now been paid. For the fifteen months to 30 June 2002, a royalty of £143,000 was accrued, however, this remained unpaid at the period end.
- (3) Benefits for Michael McGarvey and Jeremy Heath-Smith include £80,094 and £93,762 respectively for company provided housing, which in respect of Mr. Heath-Smith has been terminated with effect from 2 September 2002.

Directors' Remuneration and Payments to Former Directors – Summary

	15 months to 30 June 2002 £'000	12 months to 31 March 2001 £'000
Total emoluments for all directors (per table above)	1,990	4,892
Gains made on exercise of share options	3	56
	1,993	4,948

Directors' Interests

The beneficial interests of the directors (and their immediate families and any connected persons) in the Ordinary share capital of the Company at the beginning and end of the period are set out below.

	30 June 2002		1 April 2001	
	Ordinary shares ⁽¹⁾	Options and rights to acquire Ordinary shares	Ordinary shares ⁽¹⁾	Options and rights to acquire Ordinary shares
Executives				
S Cruickshank	9,074	108,119	–	100,000 ⁽²⁾
J Heath-Smith	1,010,066	230,463	728,534	230,031
I Livingstone	2,942,612	581,298	2,681,915	581,298
M McGarvey	64,913	1,251,268	25,435	1,251,268
S Protheroe	–	244,578	–	244,578

Notes

(1) Directors' beneficial holdings of Ordinary shares (nominal value 2 pence each) do not form part of remuneration provided by the Company.

(2) At 4 September 2001, date of appointment.

(3) None of the non-executive directors held an interest in Ordinary shares at either the beginning or end of the period and are not entitled to receive share option awards from the Company.

(4) There have been no changes between the period end and 5 September 2002 (the date on which the accounts have been signed) in the directors' beneficial or non-beneficial interests in the Company.

(5) An analysis of the options and rights to acquire Ordinary shares held by the executive directors under the Company's various option and all-employee share save plans follows. No option lapsed unexercised during the period. All figures reflect, as appropriate, changes in the Company's capital structure since the respective dates of grant.

	1 April 2001	Adjusted for Rights Issue	Granted in period	Exercised in period	30 June 2002	Option price (pence)	Date first exercisable	Expiry date
S Cruickshank	–	–	88,236	–	88,236	255.00	05/09/04	05/09/08
	–	–	11,764	–	11,764	255.00	05/09/04	05/09/11
	–	–	**8,119	–	8,119	117.00	01/04/05	01/10/05
J Heath-Smith	180,870	201,077	–	–	201,077	141.04	25/04/99	24/04/03
	19,130	21,267	–	–	21,267	141.04	25/04/99	24/04/06
	6,915	7,687	–	*{7,687}	–	125.93	–	–
	–	–	**8,119	–	8,119	117.00	01/04/05	01/10/05
I Livingstone	221,065	245,763	–	–	245,763	142.48	03/04/99	01/04/03
	18,935	21,050	–	–	21,050	142.48	03/04/99	01/04/06
	282,880	314,485	–	–	*314,485	121.42	–	–
M McGarvey	125,520	139,543	–	–	139,543	154.26	16/10/00	14/10/04
	1,000,000	1,111,725	–	–	1,111,725	105.24	14/10/01	13/10/05
S Protheroe	70,000	77,820	–	–	77,820	142.48	03/04/99	01/04/03
	50,000	55,586	–	–	55,586	61.76	21/07/97	19/07/04
	100,000	111,172	–	–	111,172	62.96	11/03/98	09/03/05

Notes

The table shows a neutralising adjustment to reflect the 1 for 3 Rights Issue that was completed on 11 July 2001. There were no transactions involving directors' share options between 1 April 2001 and that date.

Except as indicated, all options have been granted under the Executive Share Option Scheme and, in relation to which, no pre-exercise performance conditions have been applied.

* This represents a warrant to purchase 3,636 Ordinary shares in Eidos Interactive Limited, which upon exercise are exchangeable for 314,485 Ordinary shares in the Company. The original exercise period expired on 31 December 1996 but was extended by the Board at that time and remains open at its discretion.

** Granted under the UK Savings-Related Share Option Scheme.

*** Exercised on 25 February 2002 when the closing mid-market price of one Ordinary share was 161.0p

The mid-market price of an Eidos share was 180.0p on 2 April 2001 and 128.0p on 28 June 2002 and during that period ranged between a high of 288.18p and a low of 116.0p.

Director's service contracts and letters of appointment, together with the statutory Register of Directors' Interests, are available for inspection by shareholders at the Company's registered office during normal business hours and at the Annual General Meeting.

On behalf of the Board

Allen Thomas
Chairman of the Remuneration Committee
5 September 2002

Overview

The Board is committed to establishing and maintaining high standards of corporate governance – the process by which the Group is directed and managed, risks are identified and controlled and effective accountability assured.

To that end, the Board was further strengthened during the period under review by the appointment of two additional independent non-executive directors, namely, John van Kuffeler (Chairman) and David Adams, and the appointment of Stuart Cruickshank as Group Finance Director. Together with other changes made to the senior management team and reporting structure to improve day-to-day operating efficiency, these appointments (and the experience which comes with them) should provide the opportunity for the Group to further enhance its corporate governance approach.

This statement is intended to describe how the Group has applied the Principles of the Combined Code on Corporate Governance (the "Code"). It also highlights key changes and progress made since the last statement and explains the areas of non-compliance and how these have been or will be addressed in the future.

The Board

The Board meets on a monthly basis throughout the year and, commencing in 2003, will also meet annually to review and approve long-term strategy. During the early part of the period, the Board comprised two non-executive and four executive directors although this increased to four non-executives and five executive directors by the period end, following the appointments referred to above. The new balance of the Board, and its Committee, is now in keeping with the Code's recommendations. Biographical details of the directors and their standing committee memberships are shown on page 6.

The offices of Chairman and Chief Executive are held separately with a clear division of responsibility between them. Prior to the appointment of John van Kuffeler as Chairman on 18 April 2002, Ian Livingstone held that office. He stepped down to focus his attention on his new appointment as Creative Director.

All the non-executive directors are considered to be independent (as defined in the Code) and together they bring a wide range of skills and international experience to issues brought before the Board. This helps to ensure that independent judgement is exercised and that a proper balance of power is maintained for full and effective control. Consequently, the Board does not believe it necessary to identify a senior independent director separate to that of the Chairman but proposes to keep the situation under review.

All directors are required to stand for re-election at least every three years. They have access to the advice and services of the Company Secretary and, if necessary, access to further independent advice at the Company's expense in accordance with an approved procedure.

A Board and Executive Manual (which is subject to annual review) sets out the duties, responsibilities and authorities of the directors, a schedule of matters specifically reserved for the Board's decision and, in relation to non-reserved matters, the terms of reference under which the Board has devolved responsibility to the following standing committees:

**Audit Committee
Chairman, Victor Steel**

This Committee now comprises three non-executive directors (two until 9 May 2001) and meets no less than three times a year with the external auditors together with various representatives of the executive, finance and internal audit functions in attendance. It also meets with the external auditors in private after each meeting.

The Committee reviews the interim and full-year results before presentation to the Board, the findings of the internal and external auditors and the Group's internal control systems and financial accounting policies and procedures. It also advises the Board on the appointment of external auditors and on the scope, results and cost effectiveness of both the audit and non-audit work. (Details of the auditors' remuneration appears in note 6 to the accounts).

**Remuneration Committee
Chairman, Allen Thomas**

This Committee, which now comprises four non-executive directors (two until 9 May 2001), meets at least once a year and otherwise as necessary. It advises the Board on the Company's remuneration policy and determines, on behalf of the Board, the individual remuneration packages of the executive directors and certain members of senior management. Further details about the Committee are included in the Report on Directors' Remuneration on pages 8 to 11.

No director is involved in determining his own remuneration, whether determined by the Committee, or in the case of non-executives, by the Board. John van Kuffeler is a Committee member who will stand for re-election as director at the Company's forthcoming Annual General Meeting.

**Nomination Committee
Chairman, John van Kuffeler**

This Committee comprises all the non-executive directors and the Chief Executive and meets at least once a year. It is responsible for reviewing the composition and structure of the Board and for making recommendations for new appointments to the Board for approval.

**Development Committee
Chairman, Michael McGarvey**

The Development Committee comprises senior representatives of the Group's main development businesses in addition to key commercial staff and meets every two weeks to review the progress of existing projects in development and to consider new projects for future development. It is also responsible for reviewing the Group's development strategy and for making recommendations to the Board as appropriate.

Over the course of the period the Development Committee has become the primary source of control over the Group's development business and it has become a key element of the Group's overall control environment.

**Publishing Committee
Chairman, Michael McGarvey**

The Publishing Committee comprises the Managing Directors and senior sales and marketing staff from the Group's territory offices. It meets quarterly to review products due for forthcoming release and to formulate product specific sales and marketing plans. It is also responsible for reviewing the Group's wider sales and marketing strategies and for making recommendations to the Chief Executive Officer as appropriate. The Publishing Committee remains a key element of the Group's overall control environment.

Relations with Shareholders

The Board attaches considerable importance to its relationship and communication with shareholders. The executive directors meet regularly with institutional shareholders, both in the UK and overseas, in order to maintain a valuable dialogue with them within the parameters of the Financial Services and Markets Act 2000.

Communication is facilitated by full year and interim reports issued to shareholders which, together with other corporate information and press releases, are available on the Company's web-site: www.eidos.com

The Annual General Meeting provides a forum for private shareholders to raise issues with the directors. The Notice convening the Meeting is normally issued at least 20 working days in advance and separate resolutions are proposed on each substantially separate issue. Going forward, and in line with best practice, a summary of the Meeting's proceedings, together with the level of proxy votes lodged on each resolution, will be made available to shareholders on request.

Internal Controls

The directors are ultimately responsible for the good standing of the Company, the management of assets for optimum performance and for operating an effective system of internal controls appropriate to the business. However, it must be recognised that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control process

Day-to-day operating and financial responsibility rests with senior management at territory head and operating unit level, although their performance is closely monitored by the full Board.

The following key elements comprise the existing internal control process:

- an organisation structure with clear operating procedures, lines of responsibility and delegated levels of authority;
- a comprehensive financial control, budgeting and rolling forecast system, including on-going monitoring and compliance;
- an appropriate internal audit function (which is subject to annual review);
- a flat management structure which facilitates open and timely communication; and
- an experienced legal function that supports the Group's business needs, particularly from an intellectual property protection and exploitation perspective.

Significant improvements made during the period

In addition to operating the existing internal control process, significant improvements were made during the period through the following key actions:

- the change in the Company's accounting reference period from 31 March to 30 June will help to reduce the previous uncertainty surrounding full year forecasting in what is in part a seasonally driven market place;
- the successful completion of a cost reduction programme has better aligned the cost structure with the current and expected future needs of the business;
- the introduction of an annual sign-off procedure from operating unit management has provided comfort as regards their compliance with the Group's Procedure and Operating Manual and the local system of internal controls which are in place; and

- the completion of a preliminary internal control review and the subsequent creation of a Risk Management Committee will help to further improve the Company's risk management process with a view to it becoming embedded in the business by the end of 2003. The Committee, which comprises certain executive directors and members of senior management, reports directly into the Audit Committee. The aim is ensure that all risks, particularly those of a significant corporate nature, are properly identified, evaluated and managed at appropriate levels in the organisation in a proactive and timely manner.

Further improvements will continue to be made during the current financial year.

The Board, assisted by the Audit Committee, has reviewed the effectiveness of the system of internal controls in place for the period under review, taking account of any material developments since that date, using the process set out above.

Compliance status

The Boards considers that throughout the period under review the Company has complied with the requirements of the Code, save as disclosed above and, in relation to the absence of pre-exercise performance conditions attaching to discretionary share option awards, as disclosed in the Report on Directors' Remuneration on pages 8 to 11.

The Board recognises the value of and takes ultimate responsibility for upholding the Company's good corporate citizenship status. It is committed to developing and implementing policies that support this position alongside its fundamental commitment to create and sustain long-term value for shareholders. The framework that embraces these commitments comprises the following key elements:

Health and Safety

The Company acknowledges that a high standard of health and safety performance is integral to its corporate values and will contribute to the achievement of its business objectives. The Company is committed to protecting the health and safety of all employees and other persons who might be affected by its activities.

Local operating management is responsible for practical compliance with relevant legislation and related training as well as for the communication to all employees of the need to create and maintain a safe and healthy working environment.

The Chief Executive Officer has recently been appointed the director responsible to the Board for the health, safety and environmental performance of the Group.

Environmental

In appreciating the importance of good environmental practice, Eidos seeks to ensure that its operations and products cause the minimum detrimental impact to the environment. The Group's objective is to comply with environmental legislation in all countries where it operates and to promote effective resource management, energy efficiency, waste minimisation and recycling initiatives throughout the business.

Community

Local communities are important to Eidos. Each business is free to undertake community activities which are aligned with the needs of their local environments. Eidos encourages its employees to participate in such activities and supports these initiatives through both charitable donations and in giving free practical support and contributions.

Ethical Standards

Eidos strives to observe high standards of moral, legal and ethical behaviour in all its business activities. The key message to all employees (and other interested parties) is that they must observe a code of conduct based on honesty, integrity and fair dealing at all times.

The Companies Act requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company 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 both reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in, 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:

- a) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985; and
- b) 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.

The directors are also responsible for the maintenance and integrity of the Company's website on the internet. Financial information published on the website is based on legislation in the UK governing the preparation and dissemination of accounts that may be different from comparable legislation in other jurisdictions.

We have audited the financial statements on pages 17 to 37.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 15, 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 1985. 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 Listing Rules, 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 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

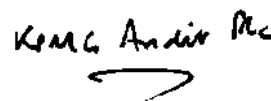
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 30 June 2002 and of the loss of the Group for the fifteen months then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants and Registered Auditor

London
5 September 2002

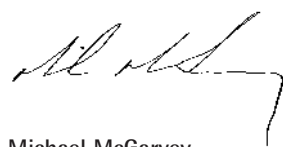
		15 months ended 30 June	12 months ended 31 March Total (restated)	12 months ended 31 March Exceptional Items (restated)	12 months ended 31 March Before exceptional items (restated)
		2002	2001	2001	2001
	Notes	£'000	£'000	£'000	£'000
Turnover: Group and share of joint ventures		142,564	156,628	(16,900)	173,528
Less: share of joint ventures' turnover		<u>(13,626)</u>	<u>(9,374)</u>	-	<u>(9,374)</u>
Turnover – continuing operations	2	128,938	147,254	(16,900)	164,154
Cost of goods sold		<u>(53,824)</u>	<u>(81,722)</u>	-	<u>(81,722)</u>
Gross profit		75,114	65,532	(16,900)	82,432
Selling and marketing		(25,861)	(41,530)	-	(41,530)
Research and development		(48,565)	(42,541)	-	(42,541)
General and administrative					
Goodwill amortisation		(6,977)	(10,915)	-	(10,915)
Other		<u>(24,872)</u>	<u>(23,519)</u>	<u>(938)</u>	<u>(22,581)</u>
		<u>(31,849)</u>	<u>(34,434)</u>	<u>(938)</u>	<u>(33,496)</u>
Operating expenses		<u>(106,275)</u>	<u>(118,505)</u>	<u>(938)</u>	<u>(117,567)</u>
Group operating loss		(31,161)	(52,973)	(17,838)	(35,135)
Share of operating profit of joint ventures		1,840	876	-	876
Joint ventures goodwill amortisation		<u>(6,607)</u>	<u>(5,192)</u>	-	<u>(5,192)</u>
Total operating loss – continuing operations		(35,928)	(57,289)	(17,838)	(39,451)
Profit on disposal of fixed asset investments	7	7,745	-	-	-
Write down of investments	7	<u>(3,368)</u>	<u>(36,308)</u>	<u>(36,308)</u>	-
Loss on ordinary activities before interest and tax		(31,551)	(93,597)	(54,146)	(39,451)
Income from investments		152	136	-	136
Net interest receivable/(payable)	5	<u>744</u>	<u>(2,897)</u>	-	<u>(2,897)</u>
Loss on ordinary activities before tax	2/6	(30,655)	(96,358)	(54,146)	(42,212)
Tax on loss on ordinary activities	8	<u>(56)</u>	<u>(971)</u>	-	<u>(971)</u>
Loss for the financial period		(30,711)	(97,329)	(54,146)	(43,183)
Loss per share (basic and diluted)(restated)	9	(22.9)p	(84.5)p	(47.0)p	(37.5)p
Loss per share before goodwill amortisation (restated)	9	(12.8)p	(70.5)p	(47.0)p	(23.5)p

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

	15 months ended 30 June	12 months ended 31 March
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Loss for the financial period	(30,711)	(97,329)
Currency translation differences on foreign currency net investments:		
Group	(819)	216
Joint ventures	<u>197</u>	<u>40</u>
	<u>(622)</u>	<u>256</u>
Total gains and losses recognised	<u>(31,333)</u>	<u>(97,073)</u>

	Notes	Group		Company	
		30 June	31 March	30 June	31 March
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10	550	6,759	-	-
Tangible assets	11	5,212	4,495	1,132	1,071
Investments					
Joint ventures	12				
Share of gross assets		5,600	4,178		
Share of gross liabilities		(2,282)	(1,743)		
		<u>3,318</u>	<u>2,435</u>	<u>-</u>	<u>-</u>
Joint ventures – goodwill	10	471	7,078	-	-
Other investments and associated undertakings	12	<u>1</u>	<u>2,628</u>	<u>1,705</u>	<u>7,901</u>
		<u>3,790</u>	<u>12,141</u>	<u>1,705</u>	<u>7,901</u>
Total fixed assets		<u>9,552</u>	<u>23,395</u>	<u>2,837</u>	<u>8,972</u>
Current assets					
Stocks	13	3,390	3,115	-	-
Debtors	14	10,482	31,389	81,653	97,112
Cash at bank and in hand	23	<u>59,052</u>	<u>28,355</u>	<u>52,417</u>	<u>14,544</u>
		<u>72,924</u>	<u>62,859</u>	<u>134,070</u>	<u>111,656</u>
Creditors: amounts falling due within one year	15	<u>(23,186)</u>	<u>(53,319)</u>	<u>(31,292)</u>	<u>(66,019)</u>
Net current assets		<u>49,738</u>	<u>9,540</u>	<u>102,778</u>	<u>45,637</u>
Total assets less current liabilities		<u>59,290</u>	<u>32,935</u>	<u>105,615</u>	<u>54,609</u>
Creditors: amounts falling due after more than one year	16	<u>(1,283)</u>	<u>(2,318)</u>	<u>-</u>	<u>-</u>
Provisions for liabilities and charges	17	<u>(1,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	2	<u>56,589</u>	<u>30,617</u>	<u>105,615</u>	<u>54,609</u>
Capital and reserves					
Called up share capital	19	2,795	2,079	2,795	2,079
Share premium account	20	138,107	85,822	138,107	85,822
Other reserves	20	707	707	167	167
Profit and loss account	20	<u>(85,020)</u>	<u>(57,991)</u>	<u>(35,454)</u>	<u>(33,459)</u>
Equity shareholders' funds	21	<u>56,589</u>	<u>30,617</u>	<u>105,615</u>	<u>54,609</u>

The financial statements were approved by the Board of directors on 5 September 2002 and were signed on its behalf by:



Michael McGarvey
Director



Stuart Cruickshank
Director

		15 months ended 30 June	12 months ended 31 March
		2002	2001
		£'000	£'000
Net cash (outflow)/inflow from operating activities	22	<u>(18,564)</u>	<u>1,888</u>
Dividends from Joint Ventures and Associates		<u>799</u>	<u>136</u>
Returns on investments and servicing of finance			
Interest received		2,749	812
Bank interest paid		(1,069)	(3,556)
Interest paid on finance leases		(134)	(24)
		<u>1,546</u>	<u>(2,768)</u>
Taxation			
UK tax repaid/(paid)		1,677	(12,864)
Overseas tax repaid		2,769	292
		<u>4,446</u>	<u>(12,572)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,034)	(1,835)
Sale of tangible fixed assets		-	1,126
Sale of other investments		11,161	(122)
		<u>8,127</u>	<u>(831)</u>
Acquisitions and disposals			
Net cash acquired with subsidiary undertaking		<u>371</u>	<u>-</u>
Net cash outflow before management of liquid resources and financing		<u>(3,275)</u>	<u>(14,147)</u>
Management of liquid resources			
Increase in term deposits		<u>(38,081)</u>	<u>-</u>
Financing			
Issue of ordinary share capital		53,001	796
Capital element of finance lease rental payments		(185)	(274)
		<u>52,816</u>	<u>522</u>
Increase/(decrease) in cash in the period	23	<u>11,460</u>	<u>(13,625)</u>
Reconciliation of net cash flow to movement in net funds			
		£'000	£'000
Increase/(decrease) in cash in the period		11,460	(13,625)
Capital element of finance lease rental payments		185	274
Increase in term deposits		38,081	-
Change in net funds resulting from cash flows	23	49,726	(13,351)
New finance leases		(255)	(437)
Exchange Rate movements		205	258
Movement in net funds in the period		49,676	(13,530)
Net funds at 1 April 2001		9,102	22,632
Net funds at 30 June 2002	23	<u>58,778</u>	<u>9,102</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 period.

Changes in presentation of financial statements

In accordance with FRS14, the earnings per share figures have been restated for the Rights Issue that occurred during the period. Certain co-operative advertising expenses that were previously charged against turnover have now been reclassified as an expense within sales and marketing costs and the 2001 comparatives have been restated to reflect this. The figures for research and development and general and administrative expenses have been restated in 2001 for a change in the classification of certain expenses that occurred in the period. The 2001 comparatives for segmental analysis by geographical area have been restated to more accurately reflect the geographic split. The directors have felt it appropriate that Group adjustments, which were previously held in the United Kingdom, be reclassified to their respective territories.

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, represents the invoiced amounts of goods sold, net of provisions for returns, value added tax and trade discounts (excluding co-operative advertising expenses). Revenue from royalty agreements is recognised upon reaching specific dates set out in royalty contracts. In the case of minimum royalty agreements revenue is recognised when the amounts are contractually due and are non-refundable.

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.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Tax charges or credits arising on the retranslation of foreign currency borrowings used to finance or provide a hedge against equity investments in foreign enterprises are taken to the Statement of Total Recognised Gains and Losses together with the exchange differences on the borrowings themselves.

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 period. The results and cash flows of foreign subsidiaries are translated at the average rate of exchange for the period. 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 period 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 recognised as they are incurred 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		Loss before taxation		Net assets/(liabilities)	
	15 months ended 30 June	12 months ended 31 March	15 months ended 30 June	12 months ended 31 March	15 months ended 30 June	12 months ended 31 March
	2002	2001	2002	2001	2002	2001
	£'000	(restated) £'000	£'000	£'000	£'000	£'000
Computer Software	128,938	144,304	(30,640)	(95,956)	59,384	33,396
Video Editing	–	2,950	(15)	(402)	(2,795)	(2,779)
	128,938	147,254	(30,655)	(96,358)	56,589	30,617

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	
	15 months ended 30 June	12 months ended 31 March	15 months ended 30 June	12 months ended 31 March
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
		(restated)		(restated)
United Kingdom	29,115	41,193	42,674	55,884
France	13,856	12,639	16,801	15,215
Germany	17,391	24,781	20,093	27,517
Rest of Europe	17,925	14,207	–	–
United States of America	43,178	43,229	44,172	46,502
Rest of World	7,473	11,205	5,198	2,136
	128,938	147,254	128,938	147,254
Inter-segment sales (predominantly royalties)				
United Kingdom			32,021	36,744
France			–	8
Germany			9	–
United States of America			11,824	5,382
Rest of World			1,303	978
			45,157	43,112

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

In addition, turnover in the UK includes £1,337,000 (2001: £1,246,000) of sales to the joint ventures in Spain.

Loss before taxation

Geographical segment	15 months ended 30 June	12 months ended 31 March
	2002	2001
	£'000	£'000
		(restated)
United Kingdom	(11,593)	(9,907)
France	1,045	(1,863)
Germany	(174)	1,036
Spain (joint ventures)	(4,572)	(4,023)
United States of America	(19,632)	(45,362)
Rest of World	(106)	69
	(35,032)	(60,050)
Profit on disposal of fixed asset investments – United Kingdom	7,745	–
Writedown of investments – United Kingdom	(3,368)	(36,308)
	(30,655)	(96,358)

Net assets/(liabilities)	30 June 2002 £'000	31 March 2001 £'000 (restated)
Geographical segment		
United Kingdom	89,965	72,898
France	1,724	615
Germany	(324)	398
Spain (joint ventures)	3,789	9,513
United States of America	(38,980)	(53,366)
Rest of World	415	559
	56,589	30,617

3 Directors' emoluments.

Detailed disclosures of Directors' individual remuneration and share options are given in the Directors' Remuneration Report on pages 8 to 11.

4 Employee information

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

	15 months ended 30 June 2002	12 months ended 31 March 2001
	Number	Number
Corporate	30	33
Computer entertainment software	509	484
Video editing, post production and new media	–	35
	539	552

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

	15 months ended 30 June 2002				12 months ended 31 March 2001			
	UK	US	Europe	Asia	UK	US	Europe	Asia
Sales, marketing and operations	48	24	42	9	58	31	58	6
Research and development	126	178	1	9	127	129	–	7
Administration	12	37	15	8	14	30	16	8
Total	186	239	58	26	199	190	74	21

	15 months ended 30 June 2002	12 months ended 31 March 2001
	£'000	£'000
Staff costs		
Wages and salaries	31,411	27,576
Social Security costs	3,291	2,876
Pension costs (see note 27)	1,001	784
	35,703	31,236

5 Net interest receivable/(payable)

	15 months ended 30 June	12 months ended 31 March
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Interest payable		
Bank loans and overdrafts	(1,061)	(3,468)
Finance leases	(94)	(21)
Other interest	(253)	(204)
Share of joint ventures	(48)	(39)
	<u>(1,456)</u>	<u>(3,732)</u>
Interest receivable		
Bank Interest	2,017	712
Other income	–	114
Share of joint ventures	183	9
	<u>2,200</u>	<u>835</u>
Net interest receivable/(payable)	<u>744</u>	<u>(2,897)</u>

6 Loss on ordinary activities before taxation

	15 months ended 30 June	12 months ended 31 March
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period:		
Owned tangible fixed assets	2,615	2,208
Tangible fixed assets held under finance leases	192	220
Amortisation of goodwill	13,584	16,107
Auditors' remuneration		
Audit	440	267
Other fees paid to the auditors and their associates*	1,188	884
Operating leases – plant and machinery	515	726
Operating leases – other	3,593	2,363
Exchange (gain)/loss	(471)	282

*Other fees paid to the auditors and their associates include tax compliance and advisory fees of £1,095,000 and review of interim statements and quarterly US filings of £93,000. In addition, costs in connection with the Rights Issue of £268,000 were charged to the share premium account.

7 Profit/(loss) on investments and exceptional items

	15 months ended 30 June	12 months ended 31 March
	2002	2001
	£'000	£'000
Group		
Profit/(loss) on investments		
Profit on disposal of other investments	8,495	-
Loss on disposal of associates and other investments	(750)	-
Profit on disposal of fixed asset investments	7,745	-
Write down of investments		
Write-off of investment in Express.com (including £895,000 of professional fees incurred during the year ended 31 March 2001)	-	(36,308)
Provision for impairment in carrying value of goodwill (previously written off to reserves)	(3,299)	-
Provision against other investments	(69)	-
Write down of investments	(3,368)	(36,308)
Other Items		
Returns provision	-	(16,900)
Legal and professional fees – abortive bid talks	-	(938)
	4,377	(54,146)

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

8 Tax on loss on ordinary activities

	15 months ended 30 June	12 months ended 31 March
	2002	2001
	£'000	£'000
Overseas taxation	503	587
	503	587
Adjustments in respect of prior periods		
UK taxation	(851)	140
Overseas taxation	404	244
	56	971
Of which		
Remaining Group taxation	(603)	744
Joint ventures' taxation	659	227
	56	971

There is no tax effect in the profit and loss account relating to the exceptional items in either the current or prior period.

8 Tax on loss on ordinary activities (continued)

The tax charged for the period differs from the standard rate of Corporation Tax in the UK (30%). The differences are explained below.

	15 months ended 30 June	12 months ended 31 March
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Loss on ordinary activities before taxation	<u>(30,655)</u>	<u>(96,358)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 30%)	(9,196)	(28,907)
Effects of:		
Permanent disallowables	8,960	7,742
Timing differences where benefit will be recognised in future periods	(664)	14,807
Difference between overseas and U.K. tax rate	(1,176)	(5,924)
Current period losses unable to be utilised in the current period	5,809	14,151
Utilisation of brought forward losses and losses previously unrecognised	(2,657)	(469)
Prior period adjustments	(442)	-
Other	(578)	(429)
Current tax charge for the period	<u>56</u>	<u>971</u>

9 Earnings per share

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

Weighted average number of shares:

	<u>2002</u>	<u>2001</u>
	Number of shares	Number of Shares (restated)
For basic earnings per share	133,957,160	115,223,869
Exercise of share options	<u>1,717,849</u>	<u>2,580,748</u>
For diluted earnings per share	<u>135,675,009</u>	<u>117,804,617</u>

In accordance with FRS 14 – Earnings per share, the diluted loss per share for the period ended 30 June 2002 and 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. The 2001 comparatives for loss per share have been restated for the Rights Issue that occurred during the current period.

	Basic 15 months ended 30 June	Basic 12 months ended 31 March	Diluted 15 months ended 30 June	Diluted 12 months ended 31 March
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	£'000	£'000	£'000	£'000
Loss for the financial period	(30,711)	(97,329)	(30,711)	(97,329)
Goodwill amortisation	<u>13,584</u>	<u>16,107</u>	<u>13,584</u>	<u>16,107</u>
Loss for the financial period before goodwill	<u>(17,127)</u>	<u>(81,222)</u>	<u>(17,127)</u>	<u>(81,222)</u>
	Pence per share	Pence per share	Pence per share	Pence per share
Loss per share	(22.9)p	(84.5)p	(22.9)p	(84.5)p
Goodwill per share	<u>10.1p</u>	<u>14.0p</u>	<u>10.1p</u>	<u>14.0p</u>
Loss per share before goodwill amortisation	<u>(12.8)p</u>	<u>(70.5)p</u>	<u>(12.8)p</u>	<u>(70.5)p</u>

10 Intangible fixed assets

	Joint Ventures £'000	Others £'000	Total £'000
Goodwill			
Cost			
At 1 April 2001	15,745	33,888	49,633
Additions (see Note 30)	–	886	886
At 30 June 2002	15,745	34,774	50,519
Amortisation			
At 1 April 2001	8,667	27,129	35,796
Exchange Adjustment	–	118	118
Amortisation for the period	6,607	6,977	13,584
At 30 June 2002	15,274	34,224	49,498
Net Book Value			
At 30 June 2002	471	550	1,021
At 31 March 2001	7,078	6,759	13,837

Goodwill amortisation in respect of Proein SL, Pyro Studios SL (acquired 2000), Crystal Dynamics, Inc. (acquired in 1999) and Ion Storm (acquired in 2002) has been calculated based on a three year estimated useful economic life.

11 Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Group					
Cost					
At 1 April 2001	2,874	2,382	6,942	81	12,279
Exchange adjustment	(86)	(70)	(205)	–	(361)
Additions	218	59	2,845	–	3,122
From acquisitions	7	203	362	–	572
Disposals	–	(1)	(548)	–	(549)
At 30 June 2002	3,013	2,573	9,396	81	15,063
Depreciation					
At 1 April 2001	700	1,818	5,196	70	7,784
Exchange adjustment	(24)	(63)	(181)	–	(268)
Charge for the period	337	375	2,084	11	2,807
Disposals	–	(1)	(471)	–	(472)
At 30 June 2002	1,013	2,129	6,628	81	9,851
Net Book Value					
At 30 June 2002	2,000	444	2,768	–	5,212
At 31 March 2001	2,174	564	1,746	11	4,495

The net book value of tangible fixed assets includes an amount of £276,000 (2001: £391,000) in respect of assets held under finance leases.

11 Tangible fixed assets (continued)

	Leasehold improvements	Fixtures and fittings	Computer equipment	Motor vehicles	Total
Company	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2001	1,237	573	1,165	84	3,059
Additions	2	-	568	-	570
Disposals	-	(15)	(90)	-	(105)
At 30 June 2002	1,239	558	1,643	84	3,524
Depreciation					
At 1 April 2001	493	495	926	74	1,988
Charge for the period	162	71	259	10	502
Disposals	-	(14)	(84)	-	(98)
At 30 June 2002	655	552	1,101	84	2,392
Net Book Value					
At 30 June 2002	584	6	542	-	1,132
At 31 March 2001	744	78	239	10	1,071

12 Fixed asset investments

Group	Joint ventures	Associated undertakings	Other Investments	Total
	£'000	£'000	£'000	£'000
At 1 April 2001	2,435	4	2,624	5,063
Share of retained profits less dividends paid	686	-	-	686
Disposals	-	-	(2,555)	(2,555)
Provisions against investments	-	(3)	(69)	(72)
Translation adjustment	197	-	-	197
At 30 June 2002	3,318	1	-	3,319
Company	Investments	Investment in Group undertakings	Associated undertakings	Total
	£'000	£'000	£'000	£'000
At 1 April 2001	2,745	1,723	3,433	7,901
Disposals	(2,745)	-	-	(2,745)
Provisions against investments	-	(18)	(3,433)	(3,451)
At 30 June 2002	-	1,705	-	1,705

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:

	Country of incorporation	Nature of business	Description of shares held	Other Group Companies %	Company %
Subsidiary undertakings					
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 7,623 Euros	100	-
Eidos Interactive (Deutschland) GmbH	Germany	Publisher of computer software	Ordinary shares of 25,565 Euros	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
Ion Storm LP	USA	Developer of computer software	Partnership units	89	-
Joint Ventures					
Proein SL	Spain	Publisher of computer software	5,000 Common shares of 6 Euros each	75	-
Pyro Studios SL	Spain	Developer of computer software	500 Common shares of 6 Euros each	25*	-
Associated undertakings					
Sports Interactive Limited	England and Wales	Developer of computer software	Ordinary shares	25	-

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

*Effective holding shown

13 Stocks

	Group		Company	
	30 June	31 March	30 June	31 March
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Raw materials and consumables	406	494	-	-
Finished goods	2,984	2,621	-	-
	3,390	3,115	-	-

14 Debtors

	Group		Company	
	30 June 2002	31 March 2001	30 June 2002	31 March 2001
	£'000	£'000	£'000	£'000
Trade debtors	1,390	18,833	-	-
Prepaid licences	2,516	3,855	-	-
Amounts owed by group undertakings	-	-	80,518	95,942
Deferred tax asset (see note 18)	1,334	1,428	-	-
Corporation tax receivable	-	3,341	-	-
Other debtors	2,307	2,052	657	867
Prepayments and accrued income	2,935	1,880	478	303
	10,482	31,389	81,653	97,112

Included within prepaid licences is £1,449,000 (2001: £2,791,000) in respect of periods that extend beyond one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	30 June 2002	31 March 2001	30 June 2002	31 March 2001
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 29)	-	18,868	-	18,759
Obligations under finance leases	167	67	-	-
Trade creditors	3,408	7,313	254	349
Royalty creditors	1,170	4,536	-	-
Amounts owed to Group undertakings	-	-	15,965	34,003
Other taxes and social security costs	238	1,302	339	861
Other creditors	1,182	1,511	998	48
Accruals and deferred income	5,628	8,426	1,899	2,177
Corporation tax payable	11,393	11,296	11,837	9,822
	23,186	53,319	31,292	66,019

During the period to 30 June 2002, the Group received £11,387,000 of cash that comprises a tax rebate of £10,456,000 plus accrued interest of £931,000. The monies were received following the submission of a claim to the Inland Revenue, however this claim remains subject to agreement by the Inland Revenue. Until such time as the Inland Revenue has concluded its work in this respect the Group will continue to carry this sum within creditors: amounts falling due within one year.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	30 June	31 March	30 June	31 March
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Accruals and deferred income	1,176	2,000	-	-
Obligations under finance leases:				
Due between one and two years	59	56	-	-
Due between two and five years	48	262	-	-
	<u>1,283</u>	<u>2,318</u>	<u>-</u>	<u>-</u>

17 Provisions for liabilities and charges

	Group	Company
	£'000	£'000
As at 1 April 2001	-	-
Provision for future rent commitments	1,418	-
At 30 June 2002	<u>1,418</u>	<u>-</u>

The provision represents the discounted value of future lease payments in respect of a vacant property which is leased until 2008 by a subsidiary that was acquired during the period (see Note 30).

18 Deferred taxation

	Group		Company	
	30 June	31 March	30 June	31 March
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Unrecognised tax assets				
Difference between tax allowances and book depreciation	548	390	22	-
Other timing differences	7,018	9,073	-	-
Tax effect of losses carried forward	30,025	25,718	-	-
	<u>37,591</u>	<u>35,181</u>	<u>22</u>	<u>-</u>
Recognised tax assets				
Tax effect of losses carried forward	1,334	1,428	-	-
	<u>1,334</u>	<u>1,428</u>	<u>-</u>	<u>-</u>

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.

The other timing differences arise in the USA where they mainly relate to disallowed interest expenses and movements on provisions for future returns.

19 Called up share capital

	30 June	31 March
	2002	2001
	£'000	£'000
Authorised		
192,500,000 Ordinary shares of 2p each (2001: 142,500,000)	3,850	2,850
Issued and fully paid		
139,753,355 Ordinary shares of 2p each (2001: 103,931,470)	<u>2,795</u>	<u>2,079</u>

During the period, 995,071 shares were allotted following the exercise of Eidos options and 167,508 were allotted in conjunction with the US Stock Purchase Plan. The total consideration received on all share allotments was £1,370,263 cash (total nominal value £23,252).

19 Called up share capital (continued)

During the period the Company completed a 1 for 3 Rights Issue, which led to 34,659,306 new Ordinary shares being allotted for a total consideration of £53,721,924 (total nominal value £693,186). Fees of £2,090,752 were paid to advisors in relation to this issue, and these were deducted from the share premium account.

Options have been granted over 2p Ordinary shares as follows:

	1 April 2001	Adjusted for Rights Issue	Granted	Internal Transfer	Exercised	Lapsed	30 June 2002	Exercise price*	Option Exercise Period
Approved Scheme (Discretionary)	50,000	55,586	-	-	-	-	55,586	61.76p	21/07/97 to 19/07/04
	100,000	111,172	-	-	-	-	111,172	62.96p	11/03/98 to 09/03/05
	19,145	21,283	-	-	-	(21,283)	-	-	11/09/01 to 11/02/02
	19,130	21,267	-	-	-	-	21,267	141.04p	25/04/99 to 24/04/06
	18,935	21,050	-	-	-	-	21,050	142.48p	03/04/99 to 01/04/06
	22,000	24,454	-	-	(24,454)	-	-	-	21/01/00 to 15/06/01
	179,970	200,060	-	-	(31,681)	-	168,379	154.26p	21/01/00 to 19/01/07
	-	-	174,308	-	-	(15,275)	159,033	254.00p	25/07/04 to 25/07/11
	-	-	11,764	-	-	-	11,764	255.00p	05/09/04 to 05/09/11
	20,000	22,232	-	-	-	-	22,232	298.63p	11/04/03 to 11/10/03
	168,173	186,948	-	-	-	(11,116)	175,832	298.63p	11/04/03 to 10/04/10
	8,195	9,110	-	-	-	-	9,110	329.21p	29/05/02 to 28/05/09
Total	605,548	673,162	186,072	-	(56,135)	(47,674)	755,425		
Unapproved Scheme (Discretionary)	716,667	796,737	-	-	(796,737)	-	-	-	14/10/01 to 12/11/01
	1,000,000	1,111,725	-	-	-	-	1,111,725	105.24p	14/10/01 to 13/10/05
	280,855	312,233	-	-	-	(312,233)	-	140.92p	11/09/01 to 11/02/02
	250,000	277,930	-	-	(20,000)	-	257,930	140.92p	11/09/01 to 10/09/05
	180,870	201,077	-	-	-	-	201,077	141.04p	25/04/99 to 24/04/03
	291,065	323,583	-	-	-	-	323,583	142.48p	03/04/99 to 01/04/03
	1,500	1,667	-	-	(1,667)	-	-	-	21/01/00 to 15/06/01
	211,595	235,232	-	-	-	-	235,232	154.26p	21/01/00 to 19/01/04
	125,520	139,543	-	-	-	-	139,543	154.26p	16/10/00 to 14/10/04
	526,568	585,667	-	55,586	-	(11,116)	630,137	298.63p	11/04/03 to 10/04/07
	116,805	129,855	-	-	-	-	129,855	329.21p	29/05/02 to 28/05/06
	-	-	888,192	-	-	(26,725)	861,467	254.00p	25/07/04 to 25/07/08
	-	-	88,236	-	-	-	88,236	255.00p	05/09/04 to 05/09/08
Total	3,701,445	4,115,249	976,428	55,586	(818,404)	(350,074)	3,978,785		
US Stock Option Plan (Discretionary)	154,540	171,805	-	-	(33,351)	-	138,454	254.70c	21/01/00 to 19/01/04
	-	-	612,500	-	-	(160,000)	452,500	361.00c	24/7/04 to 24/07/08
	350,000	389,093	-	(55,586)	-	(94,494)	239,013	472.76c	11/04/03 to 10/04/07
	225,000	250,137	-	-	-	(138,965)	111,172	525.80c	29/05/02 to 28/05/06
Total	729,540	811,035	612,500	(55,586)	(33,351)	(393,459)	941,139		
Total	5,036,533	5,599,446	1,775,000	-	(907,890)	(791,207)	5,675,349		
Sharesave Schemes (All-employee)		110,130	122,434		(89,996)	(10,911)	21,527	125.93p	01/02/02
		24,430	27,159		-	(14,679)	12,480	263.55p	01/08/02
		1,725	1,914		-	(1,232)	682	842.29p	01/02/03
		800	889	7,636	-	(3,818)	4,707	403.00Ec	01/06/03
		412	458	-	-	(458)	-	-	01/06/03
		100,670	111,917	-	(217)	(54,341)	57,359	205.98p	01/08/03
		190,403	211,676	-	(562)	(138,720)	72,394	160.11p	01/02/04
		12,003	13,341	-	-	(4,566)	8,775	403.00Ec	01/06/04
		-	-	18,499	-	(2,696)	15,803	198.00p	01/08/04
		29,781	33,105	-	-	(28,268)	4,837	149.31p	01/02/05
		-	-	246,198	-	(11,365)	234,833	117.00p	01/04/05
		-	-	7,879	-	-	7,879	192.00Ec	01/04/05
		-	-	29,670	-	-	29,670	213.50Ec	01/04/06
		-	-	**60,530	-	-	60,530	174.00c	30/09/02
Total		470,354	522,893	370,412	(90,775)	(271,054)	531,476		

*Option prices are denominated in pence (UK options), cents (US options) and Euro cents (European options)

**This is a US Stock Purchase Plan. The actual exercise price and number of purchase rights cannot be determined until maturity (i.e. 6 months following the date of grant). 60,530 is a provisional number of shares subject to purchase rights based on the market price of an Eidos Ordinary share (less an applicable 15 per cent discount) as at the date of grant.

As permitted under UITF Abstract 17 (Revised 2000) Employee Share Schemes, the Group has taken exemptions with regard to its Inland Revenue approved SAYE scheme and equivalent overseas schemes.

NB: Although the Rights Issue was completed on 11 July 2001, this table assumes for simplicity that it occurred and was completed at the start of the financial period.

20 Share premium account and reserves

Group	Share premium account	Other reserves	Profit & loss account
	£'000	£'000	£'000
Balance at 1 April 2001	85,822	707	(57,991)
Loss for the period	-	-	(30,711)
Exchange difference arising on consolidation	-	-	(622)
Goodwill relating to the disposal of associates and other investments	-	-	1,005
Goodwill previously written off to reserves, transferred to the profit and loss account	-	-	3,299
Premium on new issue of shares	52,285	-	-
At 30 June 2002	138,107	707	(85,020)

Company	Share premium account	Other reserves	Profit & loss account
	£'000	£'000	£'000
Balance at 1 April 2001	85,822	167	(33,459)
Loss for the period	-	-	(1,996)
Exchange difference arising on consolidation	-	-	1
Premium on new issue of shares	52,285	-	-
At 30 June 2002	138,107	167	(35,454)

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 period was £1,996,000 (2001: loss £42,410,000)

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. £34,256,000 (2001: £38,560,000) cumulative goodwill has been written off to these reserves (£27,530,000 to the merger reserve and £6,726,000 to the profit and loss account).

In accordance with FRS10 goodwill previously written off directly to reserves of £1,005,000 has been transferred to the profit and loss account following disposal of the related investments. In addition, goodwill of £3,299,000 previously written off directly to reserves has been transferred to the profit and loss account due to an impairment in the carrying value of goodwill in associated companies.

21 Reconciliation of movements in shareholders' funds

	15 months ended 30 June	12 months ended 31 March
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Total recognised losses relating to the period	(31,333)	(97,073)
New share capital issued	53,001	796
Goodwill relating to the disposal of associates and other investments	1,005	475
Goodwill previously written off to reserves, transferred to the profit and loss account	<u>3,299</u>	<u>-</u>
Net movement in shareholders' funds	25,972	(95,802)
Opening shareholders' funds	<u>30,617</u>	<u>126,419</u>
Closing shareholders' funds	<u>56,589</u>	<u>30,617</u>

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

	15 months ended 30 June	12 months ended 31 March
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Operating loss including exceptional cash outflows of nil (2001: £17,838,000)	(31,161)	(52,973)
Loss on disposal of fixed assets	-	233
Depreciation of tangible fixed assets	2,807	2,428
Amortisation and write off of goodwill	6,977	10,915
(Increase)/decrease in stocks	(3)	10,591
Decrease in debtors	15,048	55,012
Decrease in creditors	<u>(12,232)</u>	<u>(24,318)</u>
Net cash (outflow)/inflow from operating activities	<u>(18,564)</u>	<u>1,888</u>

Companies acquired in the period generated a cash outflow from operating activities of £254,000, paid £4,000 in respect of net returns on investments and servicing of finance and utilised £313,000 for capital expenditure.

23 Analysis of net funds

	At 1 April 2001	Cashflow	Exchange movements	Other non-cash movements	At 30 June 2002
	£'000	£'000	£'000	£'000	£'000
Net cash:					
Cash at bank and in hand	28,355	(7,408)	24	-	20,971
Bank overdrafts and loans	<u>(368)</u>	<u>368</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and demand debt	27,987	(7,040)	24	-	20,971
Loans repayable within one year	<u>(18,500)</u>	<u>18,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,487</u>	<u>11,460</u>	<u>24</u>	<u>-</u>	<u>20,971</u>
Short-term deposits and liquid resources	<u>-</u>	<u>38,081</u>	<u>-</u>	<u>-</u>	<u>38,081</u>
	9,487	49,541	24	-	59,052
Finance leases	<u>(385)</u>	<u>185</u>	<u>181</u>	<u>(255)</u>	<u>(274)</u>
Net funds	<u>9,102</u>	<u>49,726</u>	<u>205</u>	<u>(255)</u>	<u>58,778</u>

24 Contingent liabilities

From time to time, the Group is subject to claims and litigation and at the period end there were a small number of claims outstanding against the Group. Full provision has been made in the Financial Statements where it is considered that the Group may have a liability. A total of £100,000 has been provided in respect of such claims at 30 June 2002.

In the opinion of the Directors the remaining claims outstanding are not expected to give rise to any significant liability for the Group.

25 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	
	15 months ended 30 June	12 months ended 31 March	15 months ended 30 June	12 months ended 31 March
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Within one year	152	241	81	224
In two to five years	2,177	582	219	440
After five years	514	1,351	–	–
	2,843	2,174	300	664

26 Capital commitments

As at 30 June 2002 the Group had contracted to make payments, conditional upon the completion of development milestones, totalling £10.4 million to various licensors and developers involved in providing games software for the Group's use. £8.8 million is payable within one year and the remaining £1.6 million is due within one to two years. All development contracts can be terminated by Eidos at any time without penalties, if the development milestones are not achieved.

27 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 period were £451,000 (2001: £428,000). At the period end no contributions were outstanding.

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 period were £37,500 (2001: £27,900). At the period end no contributions were outstanding.

All significant overseas pension arrangements are also of a defined contribution nature. Contributions paid by the Group during the period were £512,000 (2001: £328,000). At the period end no contributions were outstanding.

Stakeholder pensions

In October 2001, the UK Government made 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 was needed to comply.

28 Related party disclosures

a) During the period the Group paid £7.4 million (2001: £7.1 million) to its associated companies as royalties and for the development of games for the Group.

b) In July 1999 Eidos acquired a 75% stake in Proein SL. In the fifteen months to 30 June 2002 Eidos sold games to Proein SL totalling £1.3 million (2001: £1.2 million). These games were all sold on an arm's length basis. In addition in the same period Eidos paid £4.2 million (2001: £1.0 million) to Pyro Studios SL (in which Eidos acquired a 25% stake) as royalties and for the development of games for Eidos. At 30 June 2002 Eidos was owed £24,000 (2001: £159,000) by Proein SL, and was owed £112,000 by Pyro Studios SL (2001: Eidos owed Pyro Studios SL £139,000).

c) In June 2001 Eidos took its stake in Ion Storm to 89% (see Note 30). In the fifteen months to 30 June 2002 Eidos paid £7.0 million (2001: £5.5 million) to Ion Storm for the development of games for Eidos. At 30 June 2002, Eidos was owed £4.6 million by Ion Storm.

d) The Group has taken advantage of the exemption in FRS 8 in respect of subsidiaries which are greater than 90% owned.

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

29 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 assets and liabilities as defined in FRS 13: Derivatives and Other Financial Instrument. 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 and currency profile of the Group's financial assets and liabilities at 30 June 2002 was as follows:

	Sterling £'000	US Dollar £'000	Euro £'000	Singapore Dollar £'000	Japanese Yen £'000	Total £'000
Cash and liquid resources – floating rate	53,646	495	4,509	169	233	59,052
	<u>53,646</u>	<u>495</u>	<u>4,509</u>	<u>169</u>	<u>233</u>	<u>59,052</u>

The corresponding interest rate and currency profile of the Group's financial assets and liabilities at 31 March 2001 was as follows:

	Sterling £'000	US Dollar £'000	Euro £'000	Singapore Dollar £'000	Japanese Yen £'000	Total £'000
Cash and liquid resources – floating rate	14,871	5,238	7,793	164	289	28,355
Floating rate debt	(18,868)	–	–	–	–	(18,868)
	<u>(3,997)</u>	<u>5,238</u>	<u>7,793</u>	<u>164</u>	<u>289</u>	<u>9,487</u>

Cash deposits and liquid resources comprise of cash deposits placed on money markets for periods of up to six months. Floating rate debt comprises of bank borrowings bearing interest at rates based on inter-bank interest rates.

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. 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 £'000
	US dollar £'000	Euros £'000	Singapore dollar £'000	Japanese Yen £'000	
Sterling	(3,618)	5,208	25	253	1,868
US Dollar	–	117	2	133	252
Euro	–	–	–	(1)	(1)
Yen	–	–	(2)	–	(2)
At 30 June 2002	<u>(3,618)</u>	<u>5,325</u>	<u>25</u>	<u>385</u>	<u>2,117</u>
At 31 March 2001	<u>49,837</u>	<u>13,965</u>	<u>363</u>	<u>175</u>	<u>64,340</u>

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 30 June 2002 was as follows:

	30 June 2002	31 March 2001
	£'000	£'000
In one year or less	–	18,868

Borrowing facilities

The undrawn committed facilities of the Group at 30 June 2002, mature as follows:

	30 June 2002	31 March 2001
	£'000	£'000
Within one year	15,821	31,500

Guarantees

The company has given a letter of guarantee to secure a committed borrowing facility of £821,000 for a subsidiary undertaking.

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 30 June 2002.

	30 June		31 March	
	2002		2001	
	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 within one year	-	-	(18,868)	(18,868)
Financial assets:				
Investments	3,319	3,319	5,103	16,790
Cash and liquid resources	59,052	59,052	28,355	28,355

The Group disposed of all listed investments during the period. 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 to hedge foreign currency monetary assets and liabilities are recognised in the hedged periods. There were no unrecognised gains or losses at the period end. The Group had no open derivative positions at 30 June 2002 or 31 March 2001.

30 Acquisitions

On 27 June 2001 the Group took its holding in Ion Storm LP to 89.6% of the issued partnership units for a nominal sum. The 89.6% holding has been built up over a series of piece-meal acquisitions for which the fair value of the total consideration was \$536.

In accordance with FRS2, the results of Ion Storm LP have been consolidated from 27 June 2001 as the Directors believe that this was the point at which control of the entity effectively passed to the Group. The net loss recognised in the period relating to Ion Storm LP was \$5,764,000.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group.

	Book Value \$000	Accounting policy alignments \$000	Other fair value adjustments \$000	Fair value \$000	Sterling equivalent at 27 June 2001 \$000
Fixed Assets					
Tangible	2,158	-	(1,346)	812	572
Current Assets					
Debtors	146	(104)	-	42	36
Cash	527	-	-	527	371
Total Assets	2,831	(104)	(1,346)	1,381	979
Creditors	(2,091)	1,763	(2,302)	(2,630)	(1,865)
Net Assets	740	1,659	(3,648)	(1,249)	(886)
Goodwill				1,249	886
				-	-

The accounting policy alignment related to the reversal of various debtor and creditor balances held in respect of other Group companies prior to acquisition.

The fair value adjustments comprised the write off of certain leasehold improvements in a vacant property of \$1,346,000 and an accrual of \$2,302,000 for future rental commitments at the same property.

Net cash outflows in respect of the acquisition comprised:

	\$000	Sterling equivalent at 27 June 2001 £'000
Cash consideration	-	-
Cash at bank and in hand acquired	527	371
Net inflow of cash and cash equivalents in respect of the purchase	527	371

The total consideration of \$536 remained outstanding at 30 June 2002.

US Listing

American Depositary Receipts (ADRs)

The Company's shares are listed on the NASDAQ National Market (symbol EIDSY) in the form of American Depositary Shares (ADS) and these are evidenced by ADR, each one of which represents one Ordinary share. J P Morgan Chase & Co is the authorised Depositary bank for the Company's ADR programme.

The Company's ADS price is quoted daily in the Wall Street Journal and can be obtained from the NASDAQ website at www.nasdaq.com.

Basis of preparation

The Group prepares its consolidated accounts in accordance with generally accepted accounting principles (GAAP) in the United Kingdom which differ in certain material respects from US GAAP. The significant differences relate principally to the following items and the adjustments necessary to restate net income and shareholders equity in accordance with US GAAP are shown below.

(1) Purchase accounting

All of the Group's acquisitions have been accounted for using purchase accounting for both UK and US GAAP. Under UK GAAP, in-process research and development costs are not identified as an acquired asset in the purchase price but rather are capitalized as goodwill and amortized over the expected useful life. US GAAP requires the identification of in-process research and development as a component of the purchase price allocation. Such amounts in which technological feasibility has not been established and that have no alternative future use must be charged as an expense at the time of acquisition. In accordance with US GAAP, the Group has identified £24.2 million in the aggregate as in-process research and development, all of which was expensed in the periods in which the related acquisitions were completed (1996: £8.2 million, 1997: £13.8 million, and 1999: £2.4 million).

The Group has recorded £67.9 million as goodwill, the excess of the fair value of consideration paid over the fair value of identifiable net assets acquired, on a cumulative basis for US GAAP purposes in connection with various acquisitions (1996: £7.4 million, 1997: £11.1 million, 1998: £4.0 million, 1999: £2.4 million). For the fifteen months ended 30 June 2002 and twelve months ended 31 March 2001, goodwill is amortized over 3 years for both UK and US GAAP purposes as 3 years is the estimated useful life due to the rapid pace of change in the industry.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after 30 June 2001 as well as all purchase method business combinations completed after 30 June 2001. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

The Group is required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 is effective for fiscal years beginning after 15 December 2001. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after 30 June 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-SFAS No. 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before 1 July 2001 will continue to be amortized prior to the adoption of SFAS No. 142.

Under UK GAAP, purchased goodwill in respect of acquisitions before 1 January 1998 was written off to reserves in the year of acquisition. Purchased goodwill in respect of acquisitions since 1 January 1998 is capitalized in accordance with the requirements of FRS 10 *Goodwill and Intangible Assets*. Positive goodwill is amortized to nil in equal installments over the estimated useful life. Upon subsequent disposal or closure of an acquired business, any goodwill previously taken directly to shareholders' equity is reflected in the income or loss on disposal.

For acquisitions prior to 1 April 1998, the benefit of acquired tax losses, as they are recognized in periods subsequent to acquisition are credited to income under UK GAAP and credited to goodwill for US GAAP. There is no difference in treatment for acquisitions subsequent to 1 April 1998.

(2) Consolidation and accounting for investments in Common Stock

Certain investments made by the Group during the year ended 31 March 2000 have been reported differently under UK GAAP and US GAAP due to the respective definitions of a subsidiary, joint venture, associate and investment.

Under UK GAAP, definitions of subsidiary, joint venture, associate and investment are broadly based upon control, to a certain extent irrespective of the percentage of shares held. Under US GAAP, the percentage of shares held is the primary basis on which an investment is categorized as a subsidiary, joint venture, associate and investment. Strong evidence must be present in order to not consolidate an entity with a greater than 50% shareholding or to equity account for an investment of greater than 20% shareholding.

During the year ended 31 March 2000, the Group acquired a 75% interest in Proein SL. Because of the nature of the contractual joint control arrangements, this investment is considered to be a joint venture in accordance with UK GAAP and is accounted for using the equity method of accounting. For US GAAP purposes, Proein SL has been treated as a subsidiary and consolidated. While on a line-by-line basis, the statement of operations and balance sheets differs under UK and US GAAP, in reconciling net income and shareholders' equity from UK to US GAAP, there is only one difference relating to the treatment of the provision for unsold inventory. The Group is one of Proein SL's main suppliers. At each period-end, adjustments are made to eliminate the Group's profit on inventory sold to Proein SL that remains unsold. Adjustments are made for both UK and US GAAP, however the adjustment is 75% for UK GAAP and 100% for US GAAP.

The Group, in a series of acquisitions, acquired a 26% interest in Top Cow Productions during the years ended 31 March 1999 and 2000. Under UK GAAP, this is considered an investment and not an associate that would be accounted for using the equity method because although the Group has a participating interest (defined as greater than 20%), it does not actually exercise significant influence over the operating and financial policies of Top Cow Productions. Under US GAAP, an investment of over 20% of the voting stock of an investee leads to the presumption that an investor has the ability to exercise significant influence over the investee. In accordance with US GAAP, the investment in Top Cow Productions is accounted for using the equity method.

(3) Revenue recognition

Under UK GAAP, licence income and advance royalties are recognized when contractually due and non-refundable. Under US GAAP, SEC Staff Accounting Bulletin No. 101 requires the deferral of non-refundable, up-front fees unless the up-front fees are in exchange for products delivered or services performed that represent the culmination of a separate earnings process. During the year ended 31 March 2000, the Group received non-refundable advance royalties which met the criteria for revenue recognition under UK GAAP but not under US GAAP. Accordingly, under US GAAP these advance royalties had been deferred but were recognised in the current fifteen months as the associated royalties were actually earned.

(4) Deferred bank charges

Under the terms of the agreement with the Royal Bank of Scotland, certain fees became payable on the variation of the Group's banking facility which took place after the 31 March 2001 year end. Since these fees were both known and quantifiable at the year end, they were accrued in full in the year, under UK GAAP. Under US GAAP however, any such fees relating to the early extinguishment of debt must be recognised in the period of extinguishment. Consequently, these fees were expensed during the fifteen months to 30 June 2002 under US GAAP.

(5) Provision against Investments

Following a review of the Group's investments, it was considered prudent to provide against certain of them.

The Group's investment in Top Cow Productions, Inc. was being carried at nil value under UK GAAP, whilst under US GAAP it was being accounted for using the equity method. A £204,000 adjustment to the carrying value under US GAAP has been made to align it with the UK GAAP carrying value.

(6) Equity securities

Under UK GAAP, available for sale securities are stated at cost less provision for any impairment in value. Under US GAAP, these securities are marked to market with any unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity. In prior years, the Group had a significant investment (15%) in a technology company listed on the Norwegian stock exchange (Opticom ASA). During March 2000, the Group sold a large proportion of its shareholding (at a discount to then quoted market price). The remaining holding was being marked to market under US GAAP until its disposal during the current financial period.

(7) Deferred taxation

The tax effects of temporary differences that give rise to deferred taxes are:

	30 June	31 March
	2002	2001
	£'000	£'000
Net operating loss carry forward	31,357	26,986
Capital loss on investment in express.com	8,520	10,798
Other timing differences	7,568	9,623
Valuation allowance	(46,111)	(45,979)
Deferred tax asset	1,334	1,428
Unrealized appreciation of investments	-	(4,236)
Net deferred tax asset/(liability) (U.S. GAAP)	1,334	(2,808)

As at 30 June 2002, the Group had federal operating loss carryforwards of £79.2 million, of which £70.1 million expire between 2007 and 2022 and £9.1 million have an unlimited carryforward period. Additionally, the Group has local operating loss carryforwards of £31.7 million, expiring between 2003 and 2012. The deferred tax asset in relation to Express.com relates to the £35.4 million write down of this investment. At 30 June 2002, the capital loss carry forward is £28.4 million. Capital losses in relation to this have unlimited carry forward.

As of 30 June 2002, management of the Company has evaluated the positive and negative evidence as required by US GAAP, impacting the realizability of the deferred tax assets. Accordingly, the deferred tax assets have been partially reserved. Management believes that it is more likely than not that the net deferred tax asset will be realized.

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of 30 June 2002 will be allocated as follows:

	£'000
Income tax benefit that would be reported in the Consolidated Statement of Income	45,805
Goodwill and other non-current intangible assets	306
	46,111

The net change in the valuation allowance for the fifteen months was an increase of £2.4 million (2001: increase of £29.3 million).

Under UK GAAP, deferred tax assets are classified under Debtors, or in some circumstances, netted off deferred tax liabilities. Under US GAAP, deferred tax liabilities and assets are classified as current or non-current based on the related asset or liability for financial reporting. Deferred tax assets related to carryforwards are classified according to the expected reversal date of the carry forward.

As at 30 June 2002, the Group does not believe that there was any material deferred tax liability arising from the excess of the value of its subsidiaries, joint ventures or associates over their base cost for tax purposes.

Under UK GAAP, the share of tax incurred by joint ventures is included in the tax on loss of ordinary activities. Under US GAAP, this tax would be included as part of equity in loss of affiliates with income before income taxes.

Reconciliations

The effects of these different accounting principles are as follows:

	15 months ended 30 June <u>2002</u> £'000	12 months ended 31 March <u>2001</u> £'000
Loss for the financial period (prepared under UK GAAP)	(30,711)	(97,329)
Amortisation of goodwill – group	353	886
Amortisation of goodwill – associates	(488)	(1,219)
Full consolidation of joint venture	–	108
Revenue recognition	938	–
Deferred bank charges	(1,250)	1,250
Provision against Investments	(204)	–
Loss after taxation and minority interests in accordance with US GAAP	(31,362)	(96,304)
Loss per share in accordance with US GAAP		
Loss per share before goodwill (restated)	(13.2p)	(69.3p)
Loss per share (basic & diluted) (restated)	(23.4p)	(83.6p)
	30 June <u>2002</u> £'000	31 March <u>2001</u> £'000
Shareholders' funds (prepared under UK GAAP)	56,589	30,617
Goodwill	13,632	13,632
Less in process research and development	(2,368)	(2,368)
Less amortisation	(11,264)	(11,617)
	–	(353)
Investment in associates – net assets	–	204
Investment in associates – goodwill	7,114	7,114
Less amortisation	(7,114)	(6,626)
	–	692
Unrealised appreciation of other investments	–	14,185
Deferred tax	–	(4,236)
	–	9,949
Full consolidation of joint venture company	–	(19)
Revenue recognition	–	(938)
Deferred bank charges	–	1,250
	–	293
Shareholders' funds in accordance with US GAAP	56,589	41,198

Consolidated Statements of Cashflow

The consolidated statements of cashflow prepared in accordance with Financial Reporting Standard No. 1 (revised) present substantially the same information as that required under US GAAP. However, under US GAAP the cashflows of one of the joint ventures in Spain (which is consolidated as a subsidiary under US GAAP and equity accounted under UK GAAP) should be added. This has the effect of decreasing the net cash inflow by £164,000. In addition, under US GAAP, there are certain differences from UK GAAP with regard to classification of items within the cashflow statement and with regard to the definition of cash and cash equivalents.

Under UK GAAP, cashflow is presented separately for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, management of liquid resources and financing activities. Under US GAAP cashflow is presented separately for operating activities, investing activities and financing activities. Cashflow from taxation and returns on investments and servicing of finance would, with the exception of dividends paid and costs of financing, be included as operating activities under US GAAP. The payments of dividends and costs of financing would be included under financing activities under US GAAP.

Under US GAAP, cash and cash equivalents do not include bank overdrafts, as is the case under UK GAAP. Under US GAAP such bank overdrafts are presented within financing activities.

Under US GAAP, capital expenditure and financial investment and acquisitions and disposals are included in investing activities.

Set out below, for illustrative purposes, is a summary consolidated statement of cashflow under US GAAP.

	15 months ended 30 June	12 months ended 31 March
	2002	2001
	£'000	£'000
Cash flow from operating activities	(11,884)	(13,609)
Cash flow from investing activities	8,445	(873)
Cash flow from financing activities	52,816	19,390
Net increase in cash and cash equivalents	49,377	4,908

	Restated 12 months ended 31 March 1998	Restated 12 months ended 31 March 1999	Restated 12 months ended 31 March 2000	Restated 12 months ended 31 March 2001	15 months ended 30 June 2002
	£'000	£'000	£'000	£'000	£'000
Sales and results					
Turnover (pre-exceptional items)	<u>137,234</u>	<u>226,284</u>	<u>194,801</u>	<u>164,154</u>	<u>128,938</u>
Operating profit/(loss)	<u>19,453</u>	<u>39,170</u>	<u>(26,831)</u>	<u>(57,289)</u>	<u>(35,928)</u>
Profit/(loss) from sale of operations	(1,852)	-	80,236	-	7,745
Write down on Investment	-	-	-	(36,308)	(3,368)
Income from investments	-	-	-	136	152
Interest receivable	<u>1,281</u>	<u>1,769</u>	<u>1,110</u>	<u>835</u>	<u>2,200</u>
	18,882	40,939	54,515	(92,626)	(29,199)
Interest payable and similar charges	<u>(2,375)</u>	<u>(3,019)</u>	<u>(5,240)</u>	<u>(3,732)</u>	<u>(1,456)</u>
Profit/(loss) before taxation	<u>16,507</u>	<u>37,920</u>	<u>49,275</u>	<u>(96,358)</u>	<u>(30,655)</u>
Taxation	<u>(5,642)</u>	<u>(13,670)</u>	<u>(24,072)</u>	<u>(971)</u>	<u>(56)</u>
Retained profit/(loss)	<u>10,865</u>	<u>24,250</u>	<u>25,203</u>	<u>(97,329)</u>	<u>(30,711)</u>
Net assets employed					
Fixed assets	18,316	43,771	74,248	23,395	9,552
Net current assets	<u>52,074</u>	<u>53,574</u>	<u>54,424</u>	<u>9,540</u>	<u>49,738</u>
	70,390	97,345	128,672	32,935	59,290
Long term liabilities	<u>(29,454)</u>	<u>(30,813)</u>	<u>(2,253)</u>	<u>(2,318)</u>	<u>(2,701)</u>
	<u>40,936</u>	<u>66,532</u>	<u>126,419</u>	<u>30,617</u>	<u>56,589</u>
Earnings/(loss) per share	11.5p	25.5p	23.3p	(84.5p)	(22.9p)

The earnings/(loss) per share have been restated for all years to take into account the Rights Issue that occurred during the current financial period.

The results for the year ended 31 March 2001 have been restated for a change in the treatment of certain co-operative expenses that were previously charged against turnover and have now been classified as an operating expense within sales and marketing costs.

The figures for research and development and general and administrative expenses for the year ended 31 March 1998, 1999, 2000 and 2001 have been restated for a change in the classification of certain expenses.

Shareholder Analysis

As at 5 September 2002, the number of registered shareholders was 6,893 and the number of Ordinary shares in issue was 139,767,195

	Number of shareholders	Percentage of total shareholders	Number of shares (million)	Percentage of total shares
<i>Range of holdings:</i>				
1-1,500	5,618	81.5	2.4	1.7
1,501 to 5,000	639	9.3	1.7	1.2
5,001 to 10,000	156	2.3	1.1	0.8
10,001 to 50,000	225	3.3	5.5	3.9
50,001 to 100,000	88	1.3	6.2	4.4
100,001 to 250,000	70	1.0	11.9	8.5
250,001 to 500,000	37	0.5	12.8	9.1
500,001 to 1,000,000	26	0.4	18.9	13.6
1,000,001 to highest	34	0.4	79.3	56.8
Total	6,893	100.0	139.8	100.0
<i>Held by:</i>				
Individuals	5,786	83.9	10.5	7.5
Institutions and companies	1,107	16.1	129.3	92.5
Total	6,893	100.0	139.8	100.0

Company Registrars

Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Computershare Investor Services PLC. They also provide a range of on-line shareholder information services at www.computershare.com where shareholders can check their holdings and find practical help on transferring shares and updating personal details.

Share Price Information

The latest Eidos share price can be obtained via the Company's website at www.eidos.com. It can also be obtained in the UK on Ceefax, Teletext and the FT Cityline service, telephone: +44 (0) 906 843 1400 (calls charged at 60p per minute)

Unsolicited Mail

The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should write to the Mailing Preference Service, Freepost 22, London W1E 7EZ or call +44 (0) 8457 034599 for an application form.

ShareGIFT

Shareholders who hold only a small number of shares, where dealing costs make it uneconomic to sell them, may wish to consider donating them to charity through ShareGIFT, a registered charity administered by The Orr Mackintosh Foundation. The relevant share transfer form can be obtained from Computershare Services plc. Further information is available at www.sharegift.org or telephone +44 (0) 20 7337 0501.

Annual General Meeting

The Company's Annual General Meeting will be held at 12 noon on Tuesday, 3 December 2002 at the Company's registered office. A circular to shareholders, which includes the Notice convening the Meeting, accompanies this document.

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