UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Mark One)
[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended April 30, 2001

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________to__________

Commission File Number 0-29230

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0350842
(State of incorporation or organization)	(IRS Employer Identification No.)
575 Broadway, New York, NY	10012
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 334-6633

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No

As of June 4, 2001, there were 34,077,834 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Operations
For the three months ended April 30, 2001 and 2000 (unaudited)
and the six months ended April 30, 2001 and 2000 (unaudited)
(In thousands, except per share data)

	Three months ended April 30, 2001	Three months ended April 30, 2000	Six months ended April 30, 2001	Six months ended April 30, 2000
	(Unaudited)		(Unaudited)	
Net sales	$ 93,320	$ 70,036	$ 224,546	$ 192,926
Cost of sales (includes impairment charge on Internet assets of $3,786,000)	62,158	41,781	150,380	128,055
Gross profit	31,162	28,255	74,166	64,871
Operating expenses:				
Selling and marketing (includes impairment charge on Internet assets of $401,000)	12,015	9,912	24,829	25,188
General and administrative	9,107	7,325	19,618	16,620
Research and development costs	1,601	1,364	3,001	2,989
Depreciation and amortization	4,208	2,173	7,222	3,576
Total operating expenses	26,931	20,774	54,670	48,373
Income from operations	4,231	7,481	19,496	16,498
Interest expense	2,355	1,375	5,285	2,881
Loss on impairment of available-for-sale Internet securities	20,754	--	20,754	--
Total interest expense and loss on impairment	23,109	1,375	26,039	2,881
(Loss) income before equity in loss of affiliate and income taxes	(18,878)	6,106	(6,543)	13,617
Equity in loss of affiliate	--	607	--	763
(Loss) income before income taxes	(18,878)	5,499	(6,543)	12,854
(Benefit) provision for income taxes	(6,954)	2,145	(2,369)	4,713
Net (loss) income	$ (11,924)	$ 3,354	$ (4,174)	$ 8,141
Per share data:				
Basic:				
Weighted average common shares outstanding	32,640,738	25,698,852	32,491,455	24,423,859
Net (loss) income per share	$ (0.37)	$ 0.13	$ (0.13)	$ 0.33
Diluted:				
Weighted average common shares outstanding	32,640,738	26,819,177	32,491,455	25,631,363
Net (loss) income per share	$ (0.37)	$ 0.13	$ (0.13)	$ 0.32

The accompanying notes are an integral part of the consolidated condensed financial statements

Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
For the six months ended April 30, 2001 and 2000 (unaudited)

(In thousands)

	Six months ended April 30, 2001	Six months ended April 30, 2000
Cash flows from operating activities:		
Net (loss) income	$ (4,174)	$ 8,141
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,222	3,576
Loss on disposal of fixed assets	--	99
Net gain from eUniverse transactions	--	(2,776)
Loss on impairment of available-for-sale Internet securities	20,754	--
Impairment charge on Internet assets	4,187	--
Equity in loss of affiliate	--	763
Change in deferred tax asset	(7,679)	--
Provision for doubtful accounts	6,704	(1,349)
Provision for inventory	7	(42)
Amortization of various expenses and discounts	522	226
Tax benefit from exercise of stock options	1,057	1,941
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease in accounts receivable	32,176	22,693
Decrease in inventories, net	171	2,136
Increase in prepaid royalties	(10,389)	(18,036)
Increase in prepaid expenses and other current assets	(8,724)	(419)
Increase in capitalized software development costs	(529)	(1,189)
Decrease in accounts payable	(16,559)	(38,918)
(Decrease) increase in accrued expenses	(1,424)	3,664
Net cash provided by (used in) operating activities	23,322	(19,490)
Cash flows from investing activities:		
Purchase of fixed assets	(2,777)	(1,225)
Other investments	--	(5,975)
Acquisitions, net of cash acquired	(4,300)	(4,274)
Additional cash paid for prior acquisition	--	(1,277)
Net cash used in investing activities	(7,077)	(12,751)
Cash flows from financing activities:		
Proceeds from private placements	--	10,016
Net (repayments) borrowings under lines of credit	(17,815)	12,036
Proceeds on notes payable	40	--
Proceeds from exercise of stock options and warrants	4,011	5,398
Repayment of capital lease obligation	(36)	(45)
Net cash (used in) provided by financing activities	(13,800)	27,405
Effect of foreign exchange rates	(804)	(2,352)
Net increase (decrease) in cash for the period	1,641	(7,188)
Cash and cash equivalents, beginning of the period	5,245	10,374
Cash and cash equivalents, end of the period	$ 6,886	$ 3,186
Supplemental disclosure of non-cash operating activities:		
Gain from DVDWave transactions	$ --	$ (871)
Gain from eUniverse transactions	$ --	$ (1,905)
Tax benefit from exercise of stock options	$ 1,057	$ 1,941
Supplemental information on businesses acquired:		
Fair value of assets acquired		
Cash	$ --	$ 195
Accounts receivable, net	8,223	390
Inventories, net	3,710	--
Prepaid royalties	(707)	--
Prepaid expenses and other assets	34	4,899
Property and equipment, net	272	1,012
Intangible asset	7,705	--
Goodwill	44,601	83,291
Less, liabilities assumed		
Line of credit	(10,841)	--
Accounts payable	(12,447)	(7,268)
Accrued expenses	(2,219)	(1,060)
Other current liabilities	(651)	(24,046)
Stock issued	(13,380)	(48,980)
Value of asset recorded	(19,829)	--
Direct transaction costs	(171)	--

Investment interest and purchase option	--	(3,964)
Cash paid	4,300	4,469
Less, cash acquired	--	(195)
Net cash paid	$ 4,300	$ 4,274

During the six months ended April 30, 2000, the Company paid $1,277,000 in cash and issued $161,000 in common stock related to a prior period acquisition. Such payments were capitalized and recorded as Goodwill.

The accompanying notes are an integral part of the consolidated condensed financial statements. Certain amounts have been reclassified for comparative purposes

Prepaid Royalties and Capitalized Software Development Costs

The Company's agreements with licensors and developers generally require it to make advance royalty payments and pay royalties based on product sales. Prepaid royalties are amortized at the contractual royalty rate as cost of sales based on actual net product sales. The Company continually evaluates the future realization of prepaid royalties, and charges to cost of sales any amount that management deems unlikely to be realized at the contractual royalty rate. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year. Prepaid royalties were written down by $75,000 for the three and six months ended April 30, 2001, to estimated net realizable value. For the three and six months ended April 30, 2000, prepaid royalties were written down by $109,000 to estimated net realizable value. Amortization of prepaid royalties amounted to $2,646,000 and $1,738,000 for the three months ended April 30, 2001 and 2000, respectively, and $5,804,000 and $4,791,000 for the six months ended April 30, 2001 and 2000, respectively.

The Company capitalizes internal software development costs subsequent to establishing technological feasibility of a title. Amortization of such costs as cost of sales is based on the greater of the proportion of current year sales to total estimated sales commencing with the title's release or the straight-line method. The Company continually evaluates the recoverability of capitalized costs. For the three and six months ended April 30, 2001, capitalized software costs of $389,000 were written off as cost of sales as part of the impairment charge as described in Footnote 7. For the three and six months ended April 30, 2000, capitalized software costs were written off by $240,000 and $249,000, respectively, to estimated net realizable value. Amortization of capitalized software costs amounted to $1,049,000 and $260,000 for the three months ended April 30, 2001 and 2000, respectively, and $1,941,000 and $329,000 for the six months ended April 30, 2001 and 2000, respectively.

Revenue Recognition

Distribution revenue is derived from the sale of third-party software products and hardware and is recognized when the ownership and risk of loss pass to customers upon receipt of products by customers. Distribution revenue was $41,813,000 and $33,309,000 for the three months ended April 30, 2001 and 2000, respectively, and $114,447,000 and $93,974,000 for the six months ended April 30, 2001 and 2000, respectively.

Publishing revenue is derived from the sale of internally developed software products or from the sale of products licensed from third-party developers and is recognized when the ownership and risk of loss pass to customers upon receipt of products by customers. Publishing revenue was $51,507,000 and $36,727,000 for the three months ended April 30, 2001 and 2000, respectively, and $110,099,000 and $98,952,000 for the six months ended April 30, 2001 and 2000, respectively.

In October 1997, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 97-2 "Software Revenue Recognition." SOP 97-2 provides guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. The Company has adopted SOP 97-2 and such adoption did not have a material impact on the Company's financial statements. The Company recognizes revenue upon persuasive evidence of an arrangement, the Company's fulfillment of its obligations under any such arrangement, and determination that collection is probable. The Company's payment arrangements with its customers are fixed at the time of sale with 30, 60, 90 or 120 day terms. The AICPA has also issued SOP 98-9 Modification of SOP 97-2, "Software Revenue Recognition with respect to Certain Transactions." SOP 98-9 deals with the determination of vendor specific objective evidence of fair value in multiple element arrangements, such as maintenance agreements sold in conjunction with software packages. The adoption of SOP 98-9 did not have a material impact on the Company's financial statements.

The Company's distribution arrangements with customers generally do not give them the right to return products; however, the Company accepts product returns for stock balancing or defective products. In addition, the Company sometimes negotiates accommodations to customers, including price discounts, credits and product returns, when demand for specific products falls below expectations. The Company's publishing arrangements require the Company to accept product returns. The Company establishes a reserve for future returns based primarily on its return policies, markdown allowances and historical return rates, and recognizes sales net of product returns.

Recently Issued Accounting Pronouncement

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101 ("SAB 101"), "Revenue Recognition." SAB 101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The provisions of this pronouncement are effective for the fourth quarter of the fiscal year ended October 31, 2001, but must be retroactively applied to the beginning of the fiscal year. The Company has adopted SAB 101 and it has not had a material impact on the Company's results of operations.

3. Income Taxes

The provisions for income taxes for the three and six months ended April 30, 2001 and 2000 are based on the Company's estimated annualized tax rate for the respective years after giving effect to the utilization of available tax credits and tax planning opportunities.

4. Net Income per Share

The following table provides a reconciliation of basic earnings per share to dilutive earnings per share for the three and six months ended April 30, 2001 and 2000.

	Net (Loss) Income	Shares	Per Share Amount
(in thousands, except per share data)			
Three Months Ended April 30, 2001:			
Basic	$ (11,924)	32,640,738	$ (.37)
Effect of dilutive securities - Stock options and warrants	--	--	--
Diluted	$ (11,924)	32,640,738	$ (.37)

7. Impairment charge on Internet assets

For the three months ended April 30, 2001, the Company recorded as cost of sales a non-cash impairment charge of $3,786,000 consisting of $2,350,000 relating to server maintenance technologies and $1,047,000 relating to multiplayer technologies developed by the Company's Neo Software ("Neo") development studio in connection with Online Pirates and $389,000 of capitalized software relating to other products to be developed by Neo, all of which the Company expected to deliver to Gameplay for online distribution. In addition, the Company recorded as selling and marketing expenses an impairment charge of $401,000 related to online sales promotions for our products to be delivered by Gameplay. Based on the substantial decline in the value of Gameplay shares, as well as a substantial deterioration in Gameplay's financial condition and business prospects, the Company determined that the software technologies and products that were to be delivered by Neo to Gameplay were impaired at April 30, 2001. The write-off of the impaired assets is not expected to have a material effect on our future revenues and results of operations.

8. Investments

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

During the three months ended April 30, 2001, the Company recorded impairment charge of $20,754,000, consisting of approximately $18,448,000 relating to its investment in Gameplay, $2,000,000 relating to its investment in eUniverse, Inc. ("eUniverse") and $306,000 relating to its investment in Entertainment Brands, a privately-held company, to reflect other than temporary declines in value. See Item 3 "Quantitative and Qualitative Disclosures about Market Risk."

As of April 30, 2001 and October 31, 2000, investments were summarized as follows (in thousands):

	April 30, 2001		October 31, 2000	
	Current	Non-Current	Current	Non-Current
Average cost	$ 2,206	$ 4,136	$ 2,896	$ 33,084
Unrealized (losses) gains	(492)	942	30	(4,597)
Fair value	$ 1,714	$ 5,078	$ 2,926	$ 28,487

Overview

The Company is a leading global developer, publisher and distributor of interactive software games. The Company's software operates on PCs and video game consoles manufactured by Sony, Nintendo and Sega. The following table sets forth the percentages of publishing revenues derived from sales of titles for specific platforms during the periods indicated:

	Three Months Ended April 30		Six Months Ended April 30	
Platforms	2001	2000	2001	2000
PC	33.9%	49.6%	34.0%	36.7%
Sony PlayStation 2	37.9	-	39.7	-
Sony PlayStation	24.6	23.5	17.5	36.5
Nintendo GameBoy Color and 64	(0.2)	11.7	1.8	12.8
Sega Dreamcast	0.3	8.0	1.9	5.7
Accessories	3.5	7.2	5.1	8.3
	100.0%	100.0%	100.0%	100.0%

Revenue Recognition. The Company's principal sources of revenues are derived from publishing and distribution operations. Publishing revenues are derived from the sale of internally developed software or software licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware. Publishing activities generally generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of CDs or cartridges designed for video game consoles. The Company recognizes revenue from software sales when products are received by customers.

Returns and Reserves. The Company's arrangements with customers for published titles require it to accept returns for stock balancing, markdowns or defects. The Company establishes a reserve for future returns of published titles based primarily on its return policies and historical return rates, and recognizes revenues net of returns. The Company's distribution arrangements with customers generally do not give them the right to return titles or to cancel firm orders. However, the Company sometimes accepts returns for stock balancing and negotiates accommodations to customers, which includes price discounts, credits and returns, when demand for specific titles fall below expectations. The Company's sales returns and allowances for the six months ended April 30, 2001 and 2000 were $28,283,000 and $15,373,000, respectively. The increased sales returns and allowances were due primarily to a change in product and customer mix. If future returns significantly exceed the Company's reserves, the Company's operating results would be adversely affected.

Capitalized Costs. The Company's agreements with licensors and developers generally require it to make advance royalty payments and pay royalties based on product sales. Prepaid royalties are amortized at the contractual royalty rate as cost of sales based on actual net sales. At April 30, 2001, the Company had prepaid royalties of $29,307,000. The Company also capitalizes internal software development costs subsequent to establishing technological feasibility of a title. Amortization of such costs as cost of sales is based on the greater of the proportion of current year sales to total estimated sales commencing with the title's release or the straight-line method. At April 30, 2001, the Company had capitalized software development costs of $9,753,000. The Company continually evaluates the recoverability of capitalized costs. If the Company were required to write-off these payments or costs to a material extent in future periods, the Company's results of operations would be adversely affected.

Results of Operations

The following table sets forth for the periods indicated the percentage of net sales represented by certain items reflected in the Company's statement of operations:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2001	2000	2001	2000
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales (1)	66.6	59.7	67.0	66.4
Selling and marketing (2)	12.9	14.2	11.1	13.1
General and administrative	9.8	10.5	8.7	8.6
Research and development costs	1.7	1.9	1.3	1.5
Depreciation and amortization	4.5	3.1	3.2	1.9
Interest expense	2.5	2.0	2.4	1.5
Loss on impairment of available-for-sale Internet securities	22.2	--	9.2	
Income taxes	(7.5)	3.1	(1.1)	2.4
Net income	(12.8)	4.8	(1.9)	4.2

(1) includes impairment charge on Internet assets of 4.0% and 1.7% for the three and six months ended April 30, 2001, respectively.

(2) includes impairment charge on Internet assets of 0.5% and 0.2% for the three and six months ended April 30, 2001, respectively.

Three Months Ended April 30, 2001 and 2000

Net Sales. Net sales increased by $23,284,000, or 33.3%, to $93,320,000 for the three months ended April 30, 2001 from $70,036,000 for the three months ended April 30, 2000. The increase in net sales was attributable to growth in both the Company's publishing and distribution operations.

Publishing revenues increased by $14,780,000, or 40.2%, to $51,507,000 for the three months ended April 30, 2001 from $36,727,000 for the three months ended April 30, 2000. This increase was primarily attributable to increased sales of titles developed for the Sony PlayStation and PlayStation 2.

For the three months ended April 30, 2001, publishing activities accounted for approximately 55.2% of net sales. For this period, software products designed for PC platforms accounted for approximately 33.9% of the Company's publishing revenues as compared to 49.6% for the three months ended April 30, 2000. The Company anticipates that in the future, sales of PC products as a percentage of revenue will continue to decline, although the Company has several major PC releases planned for the upcoming quarters.

Software products designed for video game console platforms accounted for 62.6% of the Company's publishing revenues as compared to 43.2% for the prior comparable quarter. The Company expects that sales of video game console products will continue to account for a significant portion of its publishing revenues.

Distribution revenues increased by $8,504,000, or 25.5%, to $41,813,000 for the three months ended April 30, 2001 from $33,309,000 for the three months ended April 30, 2000. This increase was primarily attributable to the acquisition of VLM Entertainment Group, Inc. in November 2000. The Company expects that its distribution operations will continue to expand largely as a result of the anticipated introduction of next-generation hardware platforms and the wide-scale rollout of PlayStation 2. For the three months ended April 30, 2001, distribution activities accounted for approximately 44.8% of net sales.

International operations accounted for approximately $24,081,000 or 25.8% of the Company's net sales for the three months ended April 30, 2001 compared to $27,671,000 or 39.5% for the three months ended April 30, 2000. The decrease was primarily attributable to the Company's increasing emphasis on expanding its publishing activities in Europe. The Company expects that international sales will continue to account for a significant portion of its revenue.

Cost of Sales. Cost of sales increased by $ 20,377,000, or 48.8%, to $62,158,000 for the three months ended April 30, 2001 from $41,781,000 for the three months ended April 30, 2000. This increase was attributable to the Company's expanded operations and was commensurate with increased net sales. In addition, for this quarter, the Company recorded as cost of sales, amortization of approximately $3.7 million from prepaid royalties and capitalized software costs as compared to $2.0 million in the prior quarter. Excluding the charge described below, cost of sales as a percentage of net sales remained relatively constant. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

During the quarter, the Company also recorded as cost of sales, a non-cash impairment charge of $3,786,000 relating to a reduction in the value of certain Internet assets, including software technologies and products developed by the Company's Neo Software development studio, which the Company expected to deliver to Gameplay for online distribution. The write-off of the impaired assets is not expected to have a material effect on our future revenues and results of operations.

Selling and Marketing. Selling and marketing expenses increased by $2,103,000, or 21.2%, to $12,015,000 for the three months ended April 30, 2001 from $9,912,000 for the three months ended April 30, 2000. The increase was primarily attributable to increased product offerings and a non-cash impairment charge of $401,000 relating to online sales promotions for our products to be delivered by Gameplay. Selling and marketing expenses as a percentage of net sales decreased to 12.9% for the three months ended April 30, 2001 from 14.2% for the three months ended April 30, 2000. The decrease reflects the Company's continued efforts to achieve cost efficiencies.

General and Administrative. General and administrative expenses increased by $1,782,000, or 24.3%, to $9,107,000 for the three months ended April 30, 2001 from $7,325,000 for the three months ended April 30, 2000. The increase was attributable to increased salaries, rent and insurance premiums to support the Company's expanded operations. General and administrative expenses as a percentage of net sales remained relatively constant.

Research and Development. Research and development costs increased by $237,000 to $1,601,000 for the three months ended April 30, 2001 from $1,364,000 for the three months ended April 30, 2000. Research and development costs as a percentage of net sales remained relatively constant. Additionally, certain product costs are amortized as cost of sales as described above.

Depreciation and Amortization. Depreciation and amortization expense increased by $2,035,000 or 93.7%, to $4,208,000 for the three months ended April 30, 2001 from $2,173,000 for the three months ended April 30, 2000. The increase was due to the amortization of intangible assets from acquisitions.

Interest Expense. Interest expense increased by $980,000 or 71.3%, to $2,355,000 for the three months ended April 30, 2001 from $1,375,000 for the three months ended April 30, 2000. The increase resulted from increased borrowings.

Loss on Impairment of Available-For-Sale Internet Securities. During the three months ended April 30, 2001, the Company incurred a non-recurring non-cash impairment charge of $18,448,000 relating to its investment in Gameplay to reflect an other than temporary decline in the value of this investment. The Company also incurred a non-recurring non-cash impairment charge of $2,000,000 relating to its investment in eUniverse and $306,000 relating to its investment in Entertainment Brands.

Income Taxes. For the three months ended April 30, 2001, the Company recorded a net income tax benefit of $6,954,000 as compared to a net income tax provision of $2,145,000 for the three months ended April 30, 2000. Income taxes as a percentage of net sales also decreased. These decreases resulted from a tax benefit relating to the impairment charges described above.

Excluding the non-cash impairment charges described above, the Company achieved net income of $3,872,000 for the three months ended April 30, 2001, as compared to net income of $3,354,000 for the three months ended April 30, 2000. Including the impairment charges, the Company incurred a net loss of $11,924,000.

Results of Six Months Ended April 30, 2001 and 2000

Net Sales. Net sales increased by $31,620,000, or 16.4%, to $224,546,000 for the six months ended April 30, 2001 from $192,926,000 for the six months ended April 30, 2000. The increase in net sales was attributable to growth in both the Company's publishing and distribution operations.

Publishing revenues increased by $11,147,000, or 11.3%, to $110,099,000 for the six months ended April 30, 2001 from $98,952,000 for the six months ended April 30, 2000. This increase was primarily attributable to increased sales of titles developed for the Sony PlayStation and PlayStation 2.

For the six months ended April 30, 2001, publishing activities accounted for approximately 49.0% of net sales. For this period, software products designed for PC platforms accounted for approximately 34.0% of the Company's publishing revenues as compared to 36.7% for the six months ended April 30, 2000. For the six months ended April 30, 2001, software products designed for video game console platforms accounted for 60.9% of the Company's publishing revenues as compared to 55.0% for the six months ended April 30, 2000. The Company expects that sales of video game console products will continue to account for a significant portion of its publishing revenues.

Distribution revenues increased by $20,473,000, or 21.8%, to $114,447,000 for the six months ended April

30, 2001 from $93,974,000 for the six months ended April 30, 2000. This increase was primarily attributable to the acquisition of VLM Entertainment Group, Inc. in November 2000 and increased market share. For the six months ended April 30, 2001, distribution activities accounted for approximately 51.0% of net sales.

International operations accounted for approximately $58,725,000 or 26.2% of the Company's net sales for the six months ended April 30, 2001 compared to $73,081,000 or 37.9% for the six months ended April 30, 2000. The decrease was primarily attributable to the Company's increasing emphasis on expanding its publishing activities in Europe.

Cost of Sales. Cost of sales increased by $22,325,000, or 17.4%, to $150,380,000 for the six months ended April 30, 2001 from $128,055,000 for the six months ended April 30, 2000. This increase was attributable to the Company's expanded operations and was commensurate with increased net sales. For this period, the Company recorded as cost of sales, amortization of approximately $7.7 million from prepaid royalties and capitalized software costs as compared to $5.1 million in the prior period. Cost of sales as a percentage of net sales remained relatively constant.

During the six months ended April 30, 2001, the Company also recorded as cost of sales a non-cash impairment charge of $3,786,000 relating to a reduction in the value of certain Internet assets.

Selling and Marketing. Selling and marketing expenses decreased by $359,000, or 1.4%, to $24,829,000 for the six months ended April 30, 2001 from $25,188,000 for the six months ended April 30, 2000. Selling and marketing expenses as a percentage of net sales decreased to 11.1% for the six months ended April 30, 2001 from 13.1% for the six months ended April 30, 2000. The decrease in both absolute dollars and as a percentage of net sales was primarily attributable to higher expenses incurred in the prior comparable period offset by a non-cash impairment charge of $401,000 relating to online sales promotions for our products to be delivered by Gameplay.

General and Administrative. General and administrative expenses increased by $2,998,000, or 18.0%, to $19,618,000 for the six months ended April 30, 2001 from $16,620,000 for the six months ended April 30, 2000. The increase was attributable to increased salaries, rent, insurance premiums and professional fees to support the Company's expanded operations. General and administrative expenses as a percentage of net sales remained relatively constant.

Research and Development. Research and development costs increased by $12,000 to $3,001,000 for the six months ended April 30, 2001 from $2,989,000 for the six months ended April 30, 2000 and remained relatively constant as a percentage of net sales. In addition, certain product costs are expensed as cost of sales as described above.

Depreciation and Amortization. Depreciation and amortization expense increased by $3,646,000 or 102.0%, to $7,222,000 for the six months ended April 30, 2001 from $3,576,000 for the six months ended April 30, 2000. The increase was due to the amortization of intangible assets from acquisitions.

Interest Expense. Interest expense increased by $2,404,000, or 83.4%, to $5,285,000 for the six months ended April 30, 2001 from $2,881,000 for the six months ended April 30, 2000. The increase resulted primarily from increased borrowings to support the Company's expanded operations.

Loss on Impairment of Available-For-Sale Internet Securities. During the six months ended April 30, 2001, the Company incurred a non-recurring non-cash impairment charge of $20,754,000 relating to its investments in Gameplay, eUniverse and Entertainment Brands. The loss was attributable to an other than temporary decline in the value of these investments.

Income Taxes. For the six months ended April 30, 2001, the Company recorded a net income tax benefit of $2,369,000 as compared to a net income tax provision of $4,713,000 for the six months ended April 30, 2000. Income taxes as a percentage of net sales also decreased. These decreases resulted from a tax benefit recorded relating to the impairment charges described above.

Excluding the non-cash impairment charges described above, the Company achieved net income of $ 11,622,000 for the six months ended April 30, 2001, as compared to net income of $8,141,000 for the six months ended April 30, 2000. Including the impairment charges, the Company incurred a net loss of $4,174,000.

Liquidity and Capital Resources

The Company's primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of its software products. The Company has historically financed its operations primarily through the issuance of debt and equity securities and bank borrowings. At April 30, 2001, the Company had working capital of $68,223,000 as compared to working capital of $62,885,000 at October 31, 2000.

The Company's cash and cash equivalents increased $1,641,000, to $6,886,000 at April 30, 2001, from $5,245,000 at October 31, 2000. The increase is primarily attributable to $23,322,000 of cash provided by operating activities, partially offset by $7,077,000 used in investing activities and $13,800,000 used in financing activities.

Net cash provided by operating activities for the six months ended April 30, 2001 was $23,322,000 compared to net cash used in operating activities of $19,490,000 for the six months ended April 30, 2000. The increase in net cash was primarily attributable to decreased accounts receivable and prepaid royalties as well as an increase in accounts payable. Net cash used in investing activities for the six months ended April 30, 2001 was $7,077,000 as compared to net cash used in investing activities of $12,751,000 for the six months ended April 30, 2000. The decrease is attributable to decreased acquisition activities. Net cash used in investing activities reflects the Company's continued investment in product development. Net cash used in financing activities for the six months ended April 30, 2001 was $13,800,000 as compared to net cash provided by financing activities of $27,405,000 for the six months ended April 30, 2000. The increase in net cash used in financing activities was primarily attributable to the repayment of indebtedness.

In February 2001, the Company's subsidiary, TTE, entered into a credit facility agreement with Lloyds TSB Bank plc ("Lloyds") under which Lloyds agreed to make available borrowings of up to $25,000,000. The outstanding balance and available credit under the revolving line of credit was $14,614,000 and $95,000, respectively, as of April 30, 2001. Advances under the credit facility bear interest at the rate of 1.25% per annum over the bank's base rate, and are guaranteed by the Company. The credit facility expires in December 2001.

In December 1999, the Company entered into a credit agreement with a group of lenders led by Bank of America, N.A., as agent, which currently provides for borrowings of up to $75,000,000. The Company may increase the credit line up to $85,000,000 subject to certain conditions. Interest accrues on advances