

Bits Corp Plc

Interim Results for the six months ended 30 September 2000

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Highlights

- Turnover increased to £807,000, a substantial increase on the turnover of £513,000 for the five months ended 31 March 2000.
- Pre-tax loss of £495,000 – ahead of Company expectations.
- Launch of Virtual Athlete Internet game by Games Magnet, received sponsorship from MSN, AOL, Netscape, Kellogg's and Sports.com.
- Amber Technology continues development into 3-D Internet format.
- Strong cash position having raised £4.1m gross at flotation.

Chairman's Statement

This interim report of Bits Corp plc for the six months ended 30 September 2000 is the Company's maiden set of Results since its successful flotation on the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) in September 2000.

Results

Turnover for the six months ended 30 September 2000 was £807,000, a substantial increase on the turnover of £513,000 for the five months ended 31 March 2000. There was a loss (both before and after tax) for the six months to 30 September 2000 of £495,000, compared with a profit of £5,000 in the five months to 31 March 2000. In line with the policy set out in the recent flotation prospectus, the directors do not propose the payment of a dividend for the period.

Operating Review and Current Developments

The turnover for the six months to 30 September 2000 is in line with the Company's budgets and its expectations at the time of flotation. The trading result for same period is ahead of expectations.

The Company has continued the development of its video games and, during the period under review, the highly acclaimed Nintendo Gameboy™ Color game, "Warlocked", was completed and delivered to its publisher, Nintendo. A second Nintendo Gameboy™ Color game is in its final testing phase. We are also continuing our development of two games for intended release at, or close to, the launch of Next Generation games consoles, including Microsoft's Xbox and Nintendo's GameCube™.

The most significant event of the period under review was the launch of our pilot Internet game, Virtual Athlete™, through our subsidiary, Games Magnet Limited. This game, which requires players to collect and "train" characters before entering them to compete against each other, has to date attracted more than 9,000 registered users. Revenue has been generated from sponsorship of the "virtual athletes" by such leading brands as MSN, AOL, Netscape, Kellogg's and Sports.com. As a result of the success of this pilot, the Company will expand this exciting new area by way of the development of further innovative on-line games related to other popular sports and by forging appropriate strategic corporate alliances.

Our Amber technology, a proprietary technology and toolset intended to enable a browser to navigate through the Internet in 3D format, continues its development process. It is anticipated that Amber will be ready for marketing and licensing during the coming year.

Future Prospects

The Group's core activity remains the design and development of video games for next generation games consoles, specifically Sony's PlayStation 2, Nintendo's GameCube™ and Microsoft's Xbox, as well as Nintendo's Gameboy™ Color and its successor, the Gameboy™ Advance. The development of the Virtual Athlete™ concept and Amber Technology will be an increasingly important area of growth over the next few years.

In addition, we are actively looking at suitable acquisitions and partnerships that will fit in with overall Group strategy, and we expect to announce some exciting developments over the next six months.

The Company is in a strong cash position, having raised over £4 million (gross) as a result of the placing of shares on flotation, and we can look forward to the future with confidence.

Finally, I must add a special word of thanks to our Managing Director, Foo Katan, and his dedicated team for their continuing hard work.

John Corre
Chairman

15 January 2001

**Consolidated Profit and Loss Account
for the six months ended 30 September 2000**

	<u>Note</u>	<u>Unaudited six months ended 30 September 2000</u>	<u>Audited five months ended 31 March 2000</u>
		<u>Total £'000</u>	<u>Total £'000</u>
Turnover		807	513
Cost of Sales		(781)	(409)
Gross profit		26	104
Operating (loss)/profit		(488)	15
Net interest payable		(7)	(10)
(Loss)/profit on ordinary activities before taxation		(495)	5
Taxation		-	-
(Loss)/profit on ordinary activities after taxation		(495)	5
Dividends		-	-
Retained (loss)/profit for the period		(495)	5
(Loss)/earnings per share	2		
Basic		(2.01p)	0.02p
Diluted		(2.01p)	0.02p

There are no material gains or losses, other than as stated in the profit and loss account, for the current and preceding financial period.

All amounts relate to continuing activities.

Consolidated Balance Sheet
as at 30 September 2000

		Unaudited at 30 September 2000		Audited at 31 March 2000	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets			39		19
Current Assets					
Debtors		271		466	
Cash at bank and in hand		3,776		6	
		4,047		472	
Creditors: Amounts falling due within one year		(901)		(703)	
Net Current Assets/(Liabilities)			3,146		(231)
Total Assets less Current Liabilities			3,185		(212)
Creditors: Amounts falling due after more than one year			(175)		(175)
Net Assets/(Liabilities)			3,010		(387)
Capital and Reserves					
Called up share capital			317		239
Share premium account			4,454		630
Merger reserve			(244)		(234)
Profit and loss account			(1,517)		(1,022)
Equity Shareholders' Funds	3		3,010		(387)

Consolidated Cash Flow Statement
for the six months ended 30 September 2000

	<u>Note</u>	<u>Unaudited six months ended</u> <u>30 September 2000</u>		<u>Audited five months ended</u> <u>31 March 2000</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash outflow from operating activities	4		(110)		(147)
Returns on investment and servicing of finance					
Interest received		4		-	
Interest paid		(11)		(10)	
			(7)		(10)
Taxation					
Overseas tax paid			(3)		-
Capital expenditure					
Payments to acquire tangible fixed assets			(35)		(11)
Cash outflow before management of liquid resources and financing					
			(155)		(168)
Management of liquid resources					
Movement in short term bank deposits			(2,800)		-
Financing					
Issue of ordinary share capital (net of expenses)		3,892		299	
Short term loan repaid		-		(30)	
Capital element of finance lease rental payments		(3)		(3)	
Net cash inflow from financing					
			3,889		266
Increase in cash					
			934		98

Notes to the Interim Financial Statements
for the six months ended 30 September 2000

1. Basis of preparation

The balance sheet at 31 March 2000 and the profit and loss account and cash flow statement for the five month period ended on that date are extracts from the statutory accounts which have been delivered to the Registrar of Companies. The auditors' report on the statutory accounts was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

The Company was incorporated on 30 August 2000 and acquired Bits Studios Limited on 5 September 2000 by way of a share for share exchange. This has been accounted for by way of merger accounting and, accordingly, Bits Studios Limited has been treated as if it has always been a member of the Group.

2. (Loss)/earnings per share

The calculation of basic earnings is based on the loss after taxation of £495,000 (March 2000 - profit £5,000) by reference to the weighted average of 24,633,353 (March 2000: 22,794,107) ordinary shares in issue during the period. Since none of the Company's potential ordinary shares are dilutive for the six month period ended 30 September 2000 there is no diluted loss per share for that period. The diluted earnings per share for the five month period ended 31 March 2000 is based on 23,539,476 ordinary shares, the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential ordinary shares.

3. Shareholders' funds

	<u>Unaudited six months ended</u> <u>30 September 2000</u>	<u>Audited five months ended</u> <u>31 March 2000</u>
	<u>£'000</u>	<u>£'000</u>
(Loss)/profit after tax	(495)	5
Share capital issued	3,892	448
Net addition to shareholders' funds	3,397	453
Opening shareholders' funds	(387)	(840)
Closing shareholders' funds	3,010	(387)

4. Net cash outflow from operating activities

	<u>Unaudited six months ended</u> <u>30 September 2000</u>	<u>Audited five months ended</u> <u>31 March 2000</u>
	<u>£'000</u>	<u>£'000</u>
Operating (loss)/profit	(488)	15
Depreciation	15	11
Decrease in debtors	198	179
Increase/(decrease) in creditors	165	(352)
Net cash outflow from operating activities	(110)	(147)

Notes to the Interim Financial Statements (continued)
for the six months ended 30 September 2000

5. Reconciliation of net cash flow to movement in net funds/(debt)

	Unaudited six months ended 30 September 2000	Audited five months ended 31 March 2000
	<u>£'000</u>	<u>£'000</u>
Increase in cash in period	934	98
Increase in liquid resources	2,800	-
Outflow from decrease in lease financing	3	3
Outflow from decrease in debt financing	-	30
Change in net funds resulting from cash flows	3,737	131
Opening net debt	(410)	(541)
Closing net funds/(debt)	3,327	(410)

6. Analysis of net funds/(debt)

	1 April 2000	Cash- flows	30 September 2000
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash at bank and in hand	6	970	976
Bank overdrafts	(114)	(36)	(150)
	(108)	934	826
Short term deposits	-	2,800	2,800
Debt due within one year	(121)	-	(121)
Debt due within two to five years	(175)	-	(175)
Obligations due under finance leases	(6)	3	(3)
Net funds/(debt)	(410)	3,737	3,327

Company Information

BITS CORP PLC

Company Number 4064683

DIRECTORS

John Corre FCA*

Chairman

Fouad Katan

Chief Executive

Robert Hakim ACA

Julian Levy FCA*

**independent non-executive*

SECRETARY

Leanne Leigh ACA

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