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highlights

- Turnover increased to £855,000 (2000: £807,000)
- co-publishing and distribution agreement signed with Vivendi for the GameCube 'Die Hard' game
- four games currently under development for different games consoles
- recent release of three new games consoles, presenting increased business opportunities for the Company and new cycle of significant growth for the industry

chairman's statement

This is a very significant period for the games industry as a whole. The transition to next generation consoles, started by Sony's PlayStation 2 on its introduction a year ago, has been augmented by the successful launches of three new consoles in the last few months, Microsoft's Xbox in the US, Nintendo's GameCube in Japan and the US, as well as Nintendo's Gameboy Advance. This marks the arrival of the next cycle of significant growth, establishing the games industry as one of the largest in the entertainment sector.

Results

Turnover for the six months ended 30 September 2001 was £855,000 (2000: £807,000). There was a loss (both before and after tax) for the period of £375,000 (2000: loss £495,000). In line with the policy set out in the flotation prospectus, the directors do not propose the payment of a dividend for the period.

Operating Review and Current Developments

The turnover and trading result for the six months to 30 September 2001 are in line with the Group's budgets and the expectations at the time of flotation.

During the period under review, the Group signed a further agreement with Fox Interactive to develop and co-publish a video game under the 'Die Hard' license for the Nintendo GameCube. At that time we were also granted extended European distribution rights, encompassing 55 territories, to that game along with the rights to create versions for other next generation games consoles over a period of five years. The cost of acquiring these rights has been included in intangible fixed assets to be written off evenly over the five year period. We subsequently exploited the extended European distribution rights for 'Die Hard' GameCube, through a co-publishing and distribution agreement with Vivendi Universal Interactive Publishing International SA ("Vivendi"). Vivendi already holds the distribution rights for all other territories including the US. Previous versions of the 'Die Hard' game, created by other games developers for existing games consoles, sold a combined excess of three million units and we are hopeful that this transaction will generate substantial revenues in due course.

Two games for intended release on Nintendo's Gameboy Advance are being developed along with a game that is due for release close to the European launch of Microsoft's Xbox. We expect these, as well as a second version of 'Die Hard' for another next generation console, to be reflected in the Company's performance during the second half of the year.

Future Prospects

The Group remains focused on its core activity, the design and development of video games for all next generation games consoles.

The presence of three prestigious global console hardware manufacturers, who are reportedly planning to spend in excess of \$1bn worldwide on aggressive marketing campaigns over the next 18 months, will not only increase consumer awareness but presents increased business opportunities for developers and publishers of games software from the start of this growth cycle.

With our growing reputation in the industry and our strong management team, Bits is ideally placed to take advantage of the dramatic anticipated growth.

John Corre
Chairman

3 December 2001

consolidated profit and loss account

for the six months ended 30 september 2001

	Unaudited 6 months ended 30 September 2001	Unaudited 6 months ended 30 September 2000	Audited Year ended 31 March 2001
Note	£'000	£'000	£'000
Turnover	855	807	1,621
Cost of sales	(954)	(781)	(1,855)
Gross profit	(99)	26	(234)
Operating loss	(409)	(488)	(1,267)
Interest receivable	34	4	79
Interest payable	-	(11)	(8)
Loss on ordinary activities before taxation	(375)	(495)	(1,196)
Taxation	-	-	(3)
Retained loss for the period	(375)	(495)	(1,199)
Loss per share - basic	2	pence (1.18)	pence (4.26)

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 operations.

consolidated balance sheet

as at 30 september 2001

	Unaudited As at 30 September 2001 £'000	Unaudited As at 30 September 2000 £'000	Audited As at 31 March 2001 £'000
Fixed assets			
Intangible assets - Games licenses	563	-	-
Tangible assets	169	39	99
	732	39	99
Current assets			
Debtors	1,089	271	941
Cash at bank and in hand	723	3,776	1,937
	1,812	4,047	2,878
Creditors: amounts falling due within one year	(612)	(900)	(670)
Net current assets	1,200	3,147	2,208
Total assets less current liabilities	1,932	3,186	2,307
Creditors: amounts falling due after more than one year	-	(175)	-
Net assets	1,932	3,011	2,307
Capital and reserves			
Called up share capital	317	317	317
Share premium account	3,476	3,476	3,476
Merger reserve	735	735	735
Profit and loss account	(2,596)	(1,517)	(2,221)
Shareholders' funds - equity	1,932	3,011	2,307

consolidated cash flow statement

for the six months ended 30 september 2001

	Unaudited 6 months ended 30 September 2001	Unaudited 6 months ended 30 September 2000	Audited Year ended 31 March 2001
Note	£'000	£'000	£'000
Net cash outflow from operating activities	4	(503)	(1,493)
Returns on investments and servicing of finance			
Interest received	34	4	79
Interest paid	-	(11)	(8)
	34	(7)	71
Taxation			
Overseas tax paid	-	(3)	(3)
	-	(3)	(3)
Capital expenditure			
Purchase of intangible fixed assets	(625)	-	-
Purchase of tangible fixed assets	(118)	(35)	(124)
	(743)	(35)	(124)
Net cash outflow before management of liquid resources and financing	(1,212)	(155)	(1,549)
Management of liquid resources			
Movement in short term bank deposits	1,150	(2,800)	(1,480)
	1,150	(2,800)	(1,480)
Financing			
Decrease in loans	-	-	(296)
Issue of ordinary share capital	-	4,452	4,452
Expenses paid in connection with share issues	-	(558)	(558)
Capital element of hire purchase payments	-	(3)	(6)
	-	3,891	3,592
(Decrease)/increase in cash	(62)	936	563

notes to the interim financial statements

for the six months ended 30 september 2001

1 Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the period ended 31 March 2001. The financial information for the period ended 31 March 2001 has been extracted from the Annual Report and Accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statements under section 237(2) or (3) of the Companies Act 1985. The financial information contained in this document does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985

2 Loss per share

The calculation of basic earnings is based on the loss after taxation of £375,000 (six months ended 30 September 2000 - loss £495,000; year ended 31 March 2001 - loss £1,199,000) by reference to the 31,707,240 (six months ended 30 September 2000 - 24,633,353; year ended 31 March 2001 - 28,157,208) weighted average ordinary shares in issue during the period. Due to a loss being recorded for each of the periods, none of the Company's potential ordinary shares are dilutive and therefore the loss per share is the same as the diluted loss per share.

3 Games licenses

Games licenses acquired are written off on a straight line basis over the life of the license.

4 Net cash outflow from operating activities

	Unaudited 6 months ended 30 September 2001 £'000	Unaudited 6 months ended 30 September 2000 £'000	Audited Year ended 31 March 2001 £'000
Operating loss	(409)	(488)	(1,267)
Depreciation	49	15	44
Amortisation of intangible fixed assets	62	-	-
(Increase)/decrease in debtors	(149)	198	(475)
(Decrease)/increase in creditors	(56)	165	205
Net cash outflow from operating activities	(503)	(110)	(1,493)

notes to the interim financial statements *(continued)*

for the six months ended 30 september 2001

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

	Unaudited 6 months ended 30 September 2001 £'000	Unaudited 6 months ended 30 September 2000 £'000	Audited Year ended 31 March 2001 £'000
(Decrease)/increase in cash in the period	(62)	936	563
(Decrease)/increase in liquid resources	(1,150)	2,800	1,480
Cash outflow from decrease in lease financing	-	3	6
Cash outflow from decrease in debt financing	-	-	296
Movement in net funds/(debt) in the period	(1,212)	3,739	2,345
Opening net funds/(debt)	1,935	(410)	(410)
Closing net funds	723	3,329	1,935

6 Analysis of net funds

	At 1 April 2001 £'000	Cash Flows £'000	At 30 September 2001 £'000
Cash at bank and in hand	457	(64)	393
Bank overdrafts	(2)	2	-
	455	(62)	393
Short term deposits	1,480	(1,150)	330
Total net funds	1,935	(1,212)	723

company information

Directors

John H Corre FCA
Fouad ("Foo") M A Katan
M Robert Hakim ACA
Julian I Levy FCA

Non-executive chairman
Chief executive/Managing director
Finance director
Non-executive director

Secretary

Leanne Leigh ACA

Registered Office

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Company Number

4064683

Financial Advisers and Stockbrokers

Collins Stewart plc, 9th Floor, 88 Wood Street, London EC2V 7QR

Auditors

BDO Stoy Hayward, 8 Baker Street, London W1U 3LL

Solicitors

Gouldens, 10 Old Bailey, London EC4M 7NG

Bankers

Lloyds TSB plc, Butler Place Branch, PO Box 132, Caxton Street, London SW1H 0PR

Registrars

Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

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