



INTERIM RESULTS
For the 6 months ended
30th September 2004

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chairman's statement

The results for the six months ended 30 September 2004 reflect the continuing progress made by the Group.

Results

Turnover for the six months ended 30 September 2004 was £1,051,000 compared with £1,062,000 in the same period last year. The profit (both before and after tax) for the half year was £35,000 compared with a profit of £23,000 in the same period last year.

No dividend is proposed for the period (2003: £nil).

Operating Review and Current Developments

The most important development in the period under review was the fact that we signed a contract with Warner Bros. Interactive Entertainment Inc. and Vertigo/DC Comics. This granted Bits the licence to develop a video game for the upcoming Warner Bros. Pictures film "Constantine" and to publish and distribute the game together with a publisher to be approved by Warner Bros. Interactive Entertainment and Bits. The game features an original storyline based around the film and is being developed for Sony's Playstation® 2 computer entertainment system and Microsoft's XBox™ video game system.

We were also able to subsequently announce that we had secured a publishing and distribution agreement with SCi Games Ltd for our licence to Constantine. The film, starring Keanu Reeves in the lead and Rachel Weisz as a policewoman, is due for release in February 2005, and our video game should be released simultaneously.

We are working on a number of other development opportunities, which will be announced once they come to fruition.

Prospects

The Group remains focused on its core activity, the design and development of video games for all games consoles. Our conservative approach has enabled us to weather the current market conditions with the Group's cash position being healthy. Our approach is to grow through strategic partnerships and collaborations that will allow us to mitigate risk in order to deliver steady and sustainable growth.

John Corre
Chairman

29 November 2004

consolidated profit and loss account

for the six months ended 30 September 2004

	Unaudited 6 months ended 30 September 2004	Unaudited 6 months ended 30 September 2003	Audited Year ended 31 March 2004
Note	£'000	£'000	£'000
Turnover	1,051	1,062	1,858
Cost of sales	(817)	(852)	(1,420)
Gross profit	234	210	438
Operating profit	35	22	98
Interest receivable	-	1	9
Profit on ordinary activities before taxation	35	23	107
Taxation	-	-	-
Retained profit for the period	35	23	107
Earnings per share	pence	pence	pence
basic and diluted	2 0.08	0.06	0.25

All amounts relate to continuing operations.



statement of total recognised gains and losses

for the six months ended 30 September 2004

	Unaudited 6 months ended 30 September 2004 £'000	Unaudited 6 months ended 30 September 2003 £'000	Audited Year ended 31 March 2004 £'000
Profit for the period	35	23	107
Currency translation differences	(1)	(5)	11
Total recognised gains relating to the period	34	18	118

consolidated balance sheet

as at 30 September 2004

	Unaudited As at 30 September 2004 £'000	Unaudited As at 30 September 2003 £'000	Audited As at 31 March 2004 £'000
Fixed assets			
Intangible assets - Games licences	-	152	-
Tangible assets	27	34	20
	27	186	20
Current assets			
Debtors	1,152	275	916
Cash at bank and in hand	186	651	209
	1,338	926	1,125
Creditors: amounts falling due within one year	(694)	(711)	(508)
Net current assets	644	215	617
Net assets	671	401	637
Capital and reserves			
Called up share capital	440	415	440
Share premium account	3,830	3,719	3,830
Merger reserve	735	735	735
Profit and loss account	(4,334)	(4,468)	(4,368)
Shareholders' funds - equity	671	401	637



consolidated cash flow statement

for the six months ended 30 September 2004

	Unaudited 6 months ended 30 September 2004	Unaudited 6 months ended 30 September 2003	Audited Year ended 31 March 2004
Note	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	3	650	(22)
Returns on investments and servicing of finance			
Interest received	-	1	9
	-	1	9
Taxation			
Corporation tax recovered	-	-	47
	-	-	47
Capital expenditure			
Purchase of tangible fixed assets	(19)	(7)	(14)
	(19)	(7)	(14)
Net cash inflow before use of liquid resources and financing	8	644	20
Management of liquid resources			
Movement in short term bank deposits	207	(672)	(207)
	207	(672)	(207)
Financing			
Issue of ordinary share capital	-	-	100
Vat reclaim on expenses paid in connection with previous share issues	-	-	36
	-	-	136
Increase/(Decrease) in cash	215	(28)	(51)

notes to the interim financial statements

for the six months ended 30 September 2004

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 year ended 31 March 2004. The financial information for the year ended 31 March 2004 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 Earnings per share

The calculation of basic earnings is based on the profit after taxation of £35,000 (six months ended 30 September 2003 - profit £23,000; year ended 31 March 2004 - profit £107,000) by reference to the 43,991,690 (six months ended 30 September 2003 - 41,491,690; year ended 31 March 2004 - 42,263,548) weighted average ordinary shares in issue during the period. At the date of signing these Interim Financial Statements the Company had certain employee share options where the exercise price is lower than the current market price of the Company's shares. The dilutive effect of these options is considered immaterial and therefore the diluted earnings per share is the same as the basic earnings per share.

3 Net cash outflow from operating activities

	Unaudited 6 months ended 30 September 2004 £'000	Unaudited 6 months ended 30 September 2003 £'000	Audited Year ended 31 March 2004 £'000
Operating profit	35	22	98
Depreciation and amortisation of fixed assets	13	144	316
(Increase)/Decrease in debtors	(233)	739	98
Increase/(Decrease) in creditors	212	(255)	(534)
Net cash inflow/(outflow) from operating activities	27	650	(22)

notes to the interim financial statements *(continued)*

for the six months ended 30 September 2004

4 Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months ended 30 September 2004 £'000	Unaudited 6 months ended 30 September 2003 £'000	Audited Year ended 31 March 2004 £'000
Increase/(Decrease) in cash in period	215	(28)	(51)
(Decrease)/Increase in liquid resources	(207)	672	207
Change in net funds resulting from cash flows	8	644	156
Currency translation differences	(1)	(5)	11
Movement in net funds in the period	7	639	167
Opening net funds	179	12	12
Closing net funds	186	651	179

5 Analysis of net funds

	At 1 April 2004 £'000	Cash Flows £'000	Translation differences £'000	At 30 September 2004 £'000
Cash at bank and in hand	2	185	(1)	186
Bank overdrafts	(30)	30	-	-
	(28)	215	(1)	186
Short term deposits	207	(207)	-	-
Total net funds	179	8	(1)	186

company information

Directors

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

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

Secretary

Dipak Pandya ACA

Registered Office

112 Cricklewood Lane, Cricklewood, London NW2 2DP

Company Number

4064683

Financial Advisers and Stockbrokers

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

Auditors

Auerbach Hope, 58-60 Berners Street, London, W1T 3JS

Solicitors

Jones Day, 21 Tudor Street, London EC4Y 0DJ

Bankers

Allied Irish Bank (GB), Mayfair Branch, 10 Berkeley Street, London W1J 6AA

Registrars

Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU



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