

**Press Release**

**6 August 2002**

**BITS CORP PLC**

**Unaudited Preliminary Results  
for the year to 31 March 2002**

**Chairman's Statement**

Our results for the year ended 31 March 2002 reflect the significant challenges that we have faced over the period.

**Results**

Turnover for the year decreased from £1.62 million in the year ended 31 March 2001, to £994,000, generating a loss after tax of £1.74 million compared to a loss of £1.20 million in the prior year.

The key contributor to this reduction was the agreement reached by the Company in July 2002 with one of its publishers, with whom the Company had a contractual agreement to publish and distribute an original Bits game, to suspend the contractual agreement for the publishing of the game due to fundamental differences in approach. Although some of the development expenditure for the game has been reimbursed by the publisher, there is a substantial shortfall. This has resulted in a reversal of almost £500,000 of accrued revenue recorded in prior years for this game, as well as the loss of revenue that would have been recognised in this period. I am pleased to report that the Company has reached an agreement for the purchase of the rights to the game, including on other platforms, from the publisher, with a view to completing the game and selling it to another publisher. In this regard, discussions are underway with a number of potential publishing partners.

In addition, the process of signing the two original Gameboy Advance titles referred to in my Chairman's statement with the Interim Results for the six months to 30 September 2001 has taken longer than anticipated, as a result of the almost exclusively license-driven nature of the Gameboy Advance market, something that had not become so prevalent as early in the life of its predecessor consoles. We believe that it continues to be in the best interests of the Company to take the time necessary to secure the best possible terms for the sale for these titles.

No dividend is proposed for the year.

### **Operating Review and Current Developments**

As stated earlier, the year to 31 March 2002 has been a challenging one for the Company.

However, on a positive note, significant progress has been made on our video game being developed under the "Die Hard" license for Nintendo's Game Cube, now titled Die Hard Vendetta. Following its official launch in February 2002, there have been numerous positive previews in the printed and electronic press, and we anticipate that significant royalties will be reflected in the results for the current year. The game is due for release in the final quarter of 2002.

The Company has also been working on two other funded developments, which have not yet been announced at the request of our publishers. We look forward to being able to announce these in due course.

### **Staff**

The staff have continued to show tremendous energy and commitment and the board of directors thank our dedicated employees for their efforts during the year.

## **Prospects**

As a consequence of the Company's aforementioned agreement to acquire the rights to an original Bits game from its publisher, the Company is in the process of raising up to £390,000 that will provide the necessary working capital until the end of October 2002. The Directors remain confident of being able to sell the publishing rights to this game to avoid any further funding requirement at that time.

We have made significant progress in addressing the issues that have contributed to the decrease in turnover.

We remain confident that the Group is well placed to take advantage of the opportunities presented by the next generation consoles and are in discussion with publishers over new licensed and original developments.

**John Corre**

*Chairman*

**For further information, please contact:**

**Bits Corp plc**

**Foo Katan, Chief Executive**

Email: [foo@bitscorp.com](mailto:foo@bitscorp.com)

Tel: + 44 (0)20 8282 7200

## Consolidated Profit and Loss Account for the Year ended 31 March 2002

	<b>Unaudited Year ended 31 March 2002 £'000</b>	Year ended 31 March 2001 £'000
Turnover	<b>994</b>	1,621
Cost of sales	<b>(2,274)</b>	(1,855)
<b>Gross profit</b>	<b>(1,280)</b>	(234)
Distribution costs	<b>(5)</b>	(5)
Administrative expenses	<b>(487)</b>	(1,028)
<b>Operating loss</b>	<b>(1,772)</b>	(1,267)
Interest receivable	<b>47</b>	79
Interest payable and similar charges	<b>(3)</b>	(8)
<b>Loss on ordinary activities before taxation</b>	<b>(1,728)</b>	(1,196)
Taxation on loss from ordinary activities	<b>(13)</b>	(3)
<b>Loss retained for the year</b>	<b>(1,741)</b>	(1,199)
<b>Loss per share</b>		
Basic	<b>(5.49 p)</b>	(4.26 p)

The results relate wholly to continuing operations.

There were no material gains or losses, other than those shown in the profit and loss account, to be recognised. There is no material difference between the results stated above and the results shown on a historical basis.

## Consolidated Balance Sheet at 31 March 2002

	<b>Unaudited 31 March 2002 £'000</b>	31 March 2001 £'000
<b>Fixed Assets</b>		
Intangible Assets	<b>458</b>	-
Tangible Assets	<b>152</b>	99
Investments	-	-
	<b>610</b>	99
<b>Current Assets</b>		
Debtors	<b>405</b>	941
Cash at bank and in hand	<b>557</b>	1,937
	<b>962</b>	2,878
<b>Creditors:</b> amounts falling due within one year	<b>(1,003)</b>	(670)
<b>Net current assets/(liabilities)</b>	<b>(41)</b>	2,208
<b>Net assets</b>	<b>569</b>	2,307
<b>Capital and reserves</b>		
Called up share capital	<b>317</b>	317
Share premium account	<b>3,479</b>	3,476
Merger reserve	<b>735</b>	735
Profit and loss account	<b>(3,962)</b>	(2,221)
<b>Shareholders' funds – equity</b>	<b>569</b>	2,307

## Consolidated Cash Flow Statement for the Year ended 31 March 2002

	Unaudited Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
<b>Net cash outflow from operating activities</b>	<b>(1,240)</b>	<b>(1,493)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	47	79
Interest paid	(3)	(8)
	<b>44</b>	<b>71</b>
<b>Taxation</b>		
Corporation tax paid	(13)	-
Overseas tax paid	-	(3)
	<b>(13)</b>	<b>(3)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(172)	(124)
	<b>(172)</b>	<b>(124)</b>
<b>Net cash outflow before use of liquid resources and financing</b>	<b>(1,381)</b>	<b>(1,549)</b>
<b>Management of liquid resources</b>		
Movement in short term bank deposits	1,000	(1,480)
	<b>1,000</b>	<b>(1,480)</b>
<b>Financing</b>		
Decrease in loans	-	(296)
Issue of ordinary share capital	3	4,452
Expenses paid in connection with share issues	-	(558)
Capital element of hire purchase contracts	-	(6)
	<b>3</b>	<b>3,592</b>
<b>(Decrease)/Increase in cash in the year</b>	<b>(378)</b>	<b>563</b>

## Notes to the Financial Information

### 1 Publication of non-statutory accounts

The financial information contained in this preliminary statement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the year ended 31 March 2002 has been extracted from the unaudited group financial statements.

The following are extracts from the notes to the unaudited group financial statements for the year ended 31 March 2002.

### 2 Loss per share

The calculation of basic earnings is based on the loss after taxation of £1,741,000 (2001 – loss £1,199,000) by reference to the 31,712,867 (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 Reconciliation of movements in shareholders' funds

	<b>Unaudited</b>	
	<b>2002</b>	2001
	<b>£'000</b>	£'000
Loss for the financial period	<b>(1,741)</b>	(1,199)
Share capital issued	<b>3</b>	3,893
Net (reduction in)/addition to shareholders' funds	<b>(1,738)</b>	2,694
Opening shareholders' funds	<b>2,307</b>	(387)
<b>Closing shareholders' funds</b>	<b>569</b>	2,307

### 4 Reconciliation of operating loss to net cash outflow from operating activities

	<b>Unaudited</b>	
	<b>2002</b>	2001
	<b>£'000</b>	£'000
Operating loss	<b>(1,772)</b>	(1,267)
Depreciation and amortisation of fixed assets	<b>286</b>	44
Increase in debtors	<b>(89)</b>	(475)
Increase in creditors	<b>335</b>	205
<b>Net cash outflow from operating activities</b>	<b>(1,240)</b>	(1,493)

## 5 Reconciliation of net cash flow to movement in net funds

	<b>Unaudited</b>	
	<b>2002</b>	2001
	<b>£'000</b>	£'000
(Decrease)/Increase in cash in the period	<b>(378)</b>	563
(Decrease)/Increase in liquid resources	<b>(1,000)</b>	1,480
Cash outflow from decrease in lease financing	-	6
Cash outflow from decrease in debt financing	-	296
Movement in net debt in the period	<b>(1,378)</b>	2,345
Opening net funds/(debt)	<b>1,935</b>	(410)
<b>Net funds at the end of the year</b>	<b>557</b>	1,935

## 6 Analysis of net funds

	At 1 April	Cash	<b>Unaudited</b>
	2001	flow	<b>At</b>
	£'000	£'000	<b>31 March</b>
			<b>2002</b>
			<b>£'000</b>
Cash at bank and in hand	457	(380)	<b>77</b>
Bank overdrafts	(2)	2	-
	455	(378)	<b>77</b>
Short term deposits	1,480	(1,000)	<b>480</b>
<b>Total net funds</b>	<b>1,935</b>	<b>(1,378)</b>	<b>557</b>

## 7 Major non-cash transactions

During the year the group acquired software licences for £625,000 in settlement of amounts due on a games development contract.