

**Press Release**  
**25 November 2003**

## **BITS CORP PLC**

### **Interim Results for the six months ended 30 September 2003**

Bits Corp plc ('Bits Corp' or 'the Company'), a leading UK developer of video games software for major console platforms, today reports its interim results for the six months ended 30 September 2003.

#### **Chairman's Statement**

The results for the six months ended 30 September 2003 reflect the continuing progress made by the Group.

As you will be aware from my statement in the last Annual Report and Accounts, trading for the second half of the year ended 31 March 2003 produced a turnover of £1.1 million and a loss of £16,000. I am pleased to report that the Group's trading for the twelve months to 30 September 2003 has generated a net profit.

#### **Results**

Turnover for the six months ended 30 September 2003 was £1,062,000 compared with £633,000 in the same period last year. The profit (both before and after tax) for the half year was £23,000 compared with a loss of £556,000 in the same period last year.

No dividend is proposed for the period (2002: £nil).

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

Die Hard™: Vendetta, our game released across Europe, the US and Canada towards the end of last year for Nintendo's GameCube™, has been released for both Sony's Playstation® 2 and

Microsoft's Xbox™. The result for the period under review includes modest royalty income from this game.

The US release of Rogue Ops, a stealth-action adventure game developed for all three major platforms, took place at the end of October, whilst the European and Japanese launches are due in the early part of 2004. Very encouragingly, the game was proclaimed as the best surprise at this year's European Computer Trade Show ("ECTS") in the Eurogamer/GamesBiz website awards.

The Rogue Ops agreement with Kemco allowed for a series of bonus payments to the Group upon successful achievement of key time-related milestones and I am very pleased to report that the maximum bonus was earned.

The Group has also been working on a number of other development opportunities and we look forward to announcing these in due course.

The Group's cash position is now much more healthy as a result of the successful completion of Rogue Ops and Die Hard: Vendetta.

### **Prospects**

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

### **John Corre**

Chairman

**For further information, please contact:**

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**Consolidated Profit and Loss Account  
for the six months ended 30 September 2003**

	Unaudited 6 months ended 30 September 2003	Unaudited 6 months ended 30 September 2002	Audited Year ended 31 March 2003
Note	£000	£000	£000
<b>Turnover</b>	<b>1,062</b>	633	1,702
Cost of sales	<b>(852)</b>	(991)	(1,920)
<b>Gross profit/(loss)</b>	<b>210</b>	(358)	(218)
<b>Operating profit/(loss)</b>	<b>22</b>	(562)	(578)
Interest receivable	<b>1</b>	6	6
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>23</b>	(556)	(572)
Taxation	<b>-</b>	-	88
<b>Retained profit/(loss) for the period</b>	<b>23</b>	(556)	(484)
<b>Earnings/(Loss) per share</b>	<b>pence</b>	pence	pence
Basic and diluted	<b>2</b> <b>0.06</b>	(1.66)	(1.29)

All amounts relate to continuing operations.

**Statement of Total Recognised Gains and Losses  
for the six months ended 30 September 2003**

	Unaudited 6 months ended 30 September 2003	Unaudited 6 months ended 30 September 2002	Audited Year ended 31 March 2003
	£000	£000	£000
Profit/(Loss) for the period	<b>23</b>	(556)	(484)
Currency translation differences	<b>(5)</b>	-	(40)
<b>Total recognised gains and losses relating to the period</b>	<b>18</b>	(556)	(524)

**Consolidated Balance Sheet  
as at 30 September 2003**

	<b>Unaudited As at 30 September 2003</b>	Unaudited As at 30 September 2002	Audited As at 31 March 2003
	<b>£000</b>	£000	£000
<b>Fixed assets</b>			
Intangible assets - Games licences	<b>152</b>	396	254
Tangible assets	<b>34</b>	108	68
	<b>186</b>	504	322
<b>Current assets</b>			
Debtors	<b>275</b>	573	1,014
Cash at bank and in hand	<b>651</b>	60	12
	<b>926</b>	633	1,026
<b>Creditors:</b> Amounts falling due within one year	<b>(711)</b>	(774)	(965)
<b>Net current assets/(liabilities)</b>	<b>215</b>	(141)	61
<b>Net assets</b>	<b>401</b>	363	383
<b>Capital and reserves</b>			
Called up share capital	<b>415</b>	415	415
Share premium account	<b>3,719</b>	3,739	3,719
Merger reserve	<b>735</b>	735	735
Profit and loss account	<b>(4,468)</b>	(4,526)	(4,486)
<b>Shareholders' funds - equity</b>	<b>401</b>	363	383

**Consolidated Cash Flow Statement  
for the six months ended 30 September 2003**

		Unaudited 6 months ended 30 September 2003	Unaudited 6 months ended 30 September 2002	Audited Year ended 31 March 2003
	Note	£000	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3</b>	<b>650</b>	<b>(832)</b>	<b>(888)</b>
<b>Returns on investments and servicing of finance</b>				
Interest received		1	6	6
		1	6	6
<b>Taxation</b>				
Corporation tax recovered		-	-	88
		-	-	88
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(7)	(29)	(49)
		(7)	(29)	(49)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		<b>644</b>	<b>(855)</b>	<b>(843)</b>
<b>Management of liquid resources</b>				
Movement in short term bank deposits		(672)	480	480
		(672)	480	480
<b>Financing</b>				
Issue of ordinary share capital		-	390	390
Expenses paid in connection with share issues		-	(32)	(52)
		-	358	338
<b>Decrease in cash</b>		<b>(28)</b>	<b>(17)</b>	<b>(25)</b>

## Notes to the Financial Statements for the six months ended 30 September 2003

### 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 2003. The financial information for the year ended 31 March 2003 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/(Loss) per share

The calculation of basic earnings is based on the profit after taxation of £23,000 (six months ended 30 September 2002 - loss £556,000; year ended 31 March 2003 - loss £484,000) by reference to the 41,491,690 (six months ended 30 September 2002 – 33,446,608; year ended 31 March 2003 – 37,458,128) weighted average ordinary shares in issue during the period. As the Company's market share price is lower than the exercise price of all options currently in issue, none of the Company's potential ordinary shares are dilutive and therefore the earnings per share is the same as the diluted earnings per share.

### 3. Net cash outflow from operating activities

	<b>Unaudited 6 months ended 30 September 2003</b>	Unaudited 6 months ended 30 September 2002	Audited Year ended 31 March 2003
	<b>£000</b>	£000	£000
Operating profit/(loss)	<b>22</b>	(562)	(578)
Depreciation and amortisation of fixed assets	<b>144</b>	136	337
Decrease/(Increase) in debtors	<b>739</b>	(167)	(609)
Decrease in creditors	<b>(255)</b>	(239)	(38)
Net cash inflow/(outflow) from operating activities	<b>650</b>	(832)	(888)

#### 4. Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months ended 30 September 2003	Unaudited 6 months ended 30 September 2002	Audited Year ended 31 March 2003
	£000	£000	£000
Decrease in cash in the period	(28)	(17)	(25)
Increase/(Decrease) in liquid resources	672	(480)	(480)
Change in net funds resulting from cash flows	644	(497)	(505)
Currency translation differences	(5)	-	(40)
Movement in net funds in the period	(639)	(497)	(545)
Opening net funds	12	557	557
Closing net funds	651	60	12

#### 5. Analysis of net funds

	At 1 April 2003	Cash Flows	Translation Differences	At 30 September 2003
	£000	£000	£000	£000
Cash at bank and in hand	12	(28)	(5)	(21)
Short term deposits	-	672	-	672
Total net funds	12	644	(5)	651