



Press Release
2 September 2004

Bits Corp plc
Preliminary Results for the year ended 31 March 2004

Chairman's Statement

The year under review has seen a continuation of the progress reflected in the Interim Statement, with a further increase in turnover and a welcome turnaround from a substantial loss to a profit.

Results

Turnover for the year ended 31 March 2004 was £1,858,000 compared with £1,702,000 in the prior year, an increase of 9.2%. The profit, both before and after tax, for the year was £107,000 (2003: loss before tax £582,000, loss after tax £484,000).

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

Operating Review and Current Developments

The worldwide release of Rogue Ops, a stealth-action adventure game developed for Sony's PlayStation 2, Microsoft's Xbox and Nintendo's GameCube, took place during the year. Although sales of the game did not meet our or the publisher's expectations, the title enhanced the Company's reputation as a developer of high quality video games, having been delivered on time and within budget.

As we announced in May 2004, Bits has been granted 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 and ourselves. The game is based on the major film release of the same name featuring John Constantine, the compelling lead character in DC Comics/Vertigo publication, Hellblazer. The game features an original storyline based around the film and is being developed for Sony's PlayStation2 and Microsoft's Xbox.

Most recently, we were delighted to announce the agreement entered into with SCi Games to publish "Constantine". The game is already well into development and will be released to coincide with the film release in 2005. The advances being received from SCi in relation to "Constantine" are enhancing the Group's cash flow.

Staff

The staff have continued to make a significant contribution to the Group's success, and the board of directors thank our dedicated employees for their wonderful efforts during the year.

Prospects

The Group remains focused on its core activity, the design and development of video games for all next generation games consoles. In addition, other ventures are also being actively pursued.

I am confident that Bits will continue to go from strength to strength under the inspiring leadership of our Chief Executive, Foo Katan, and his dedicated team.

John Corre*Chairman***For further information, please contact:****Bits Corp plc (www.bitscorp.com)**

Foo Katan, CEO

Tel: + 44 (0)20 8282 7200

Email: foo@bitscorp.com

**Consolidated Profit and Loss Account
for the year ended 31 March 2004**

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Turnover	1,858	1,702
Cost of sales	(1,420)	(1,920)
Gross profit/(loss)	438	(218)
Distribution costs	(6)	(10)
Administrative expenses	(334)	(350)
Operating profit/(loss)	98	(578)
Interest receivable	9	6
Profit/(Loss) on ordinary activities before tax	107	(572)
Tax on profit/(loss) on ordinary activities	-	88
Profit/(Loss) retained for the year	107	(484)
Earnings/(Loss) per share - basic	0.25 p	(1.29 p)

The results relate wholly to continuing operations.

There is no material difference between the results stated above and the results shown on an historical basis.

**Statement of Total Recognised Gains and Losses
for the year ended 31 March 2004**

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Profit/(Loss) for the year	107	(484)
Currency translation differences	11	(40)
Total recognised gains and losses relating to the year	118	(524)

**Consolidated Balance Sheet
as at 31 March 2004**

	31 March 2004 £'000	31 March 2003 £'000
Fixed assets		
Intangible assets	-	254
Tangible assets	20	68
	20	322
Current assets		
Debtors	916	1,014
Cash at bank and in hand	209	12
	1,125	1,026
Creditors: amounts falling due within one year	(508)	(965)
Net current assets	617	61
Net assets	637	383
Capital and reserves		
Called up share capital	440	415
Share premium account	3,830	3,719
Merger reserve	735	735
Profit and loss account	(4,368)	(4,486)
Shareholders' funds – equity	637	383

**Consolidated Cash Flow Statement
for the year ended 31 March 2004**

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Net cash outflow from operating activities	(22)	(888)
Returns on investments and servicing of finance		
Interest received	9	6
	9	6
Taxation		
Corporation tax repaid	47	88
	47	88
Capital expenditure		
Purchase of tangible fixed assets	(14)	(49)
	(14)	(49)
Net cash inflow/(outflow) before use of liquid resources and financing	20	(843)
Management of liquid resources		
Movement in short term bank deposits	(207)	480
	(207)	480
Financing		
Issue of ordinary share capital	100	390
Expenses paid in connection with share issue	-	(52)
VAT reclaim on expenses paid in connection with share issues	36	-
	136	338
Decrease in cash in the year	(51)	(25)

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 2004 has been extracted from the audited Group financial statements.

The following are extracts from the notes to the audited Group financial statements for the year ended 31 March 2004.

2 Earnings/(Loss) per share

The calculation of basic earnings is based on the profit after taxation of £107,000 (2003 – loss £484,000) by reference to the 42,263,548 (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 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Share capital issued	100	338
Reclaim of VAT on share issue expenses	36	-
Profit/(Loss) for the financial period	107	(484)
Currency translation differences	11	(40)
Net addition to/(reduction in) shareholders' funds	254	(186)
Opening shareholders' funds	383	569
Closing shareholders' funds	637	383

4 Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2004 £'000	2003 £'000
Operating profit/(loss)	98	(578)
Depreciation and amortisation of fixed assets	316	337
Decrease/(Increase) in debtors	98	(609)
Decrease in creditors	(534)	(38)
Net cash outflow from operating activities	(22)	(888)

5 Reconciliation of net cash flow to movement in net funds

	2004 £'000	2003 £'000
Decrease in cash in the period	(51)	(25)
Increase/(Decrease) in liquid resources	207	(480)
Change in net funds resulting from cash flows	156	(505)
Currency translation differences	11	(40)
Movement in net funds in the period	167	(545)
Opening net funds	12	557
Net funds at the end of the year	179	12

6 Analysis of net funds

	At 1 April 2003 £'000	Cash flow £'000	Translation difference £'000	At 31 March 2004 £'000
Cash at bank and in hand	12	(21)	11	2
Bank overdrafts	-	(30)	-	(30)
	12	(51)	11	(28)
Short term deposits	-	207	-	207
Total net funds	12	156	11	179

7 Annual Report

The Annual Report and Accounts for the year ended 31 March 2004 will be mailed to shareholders shortly.

- Ends -