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Welcome to JKLM's third newsletter. We have been frantically getting ready for Essen, but though we would drop you a line anyway.

JKLM HOLDINGS

The last six months have been very shaky due to the financial position we were put in, but we have turned this around and believe we are now in a stronger position than we were before.

We have made a deal with Carta Mundi UK that sees me acting on their behalf as a consultant, for which I will, of course, get paid.

As you know, we have had problems with Fred Distribution in America over their interest in our games. We have now reined this back to being just one company selling to the other. We have now also found a new bigger and better company in the USA to do business with. They have a set of terms and conditions and a contract outlining what they will do for us, which gives us a much better understanding of what we are doing. This is now working for us and should see us getting regular payments.

We have had a few more small investors, mainly from abroad, which has helped with our cash flow and will allow us to make the next dividend,

I would like to ask at this point, if people would be happy for me to pay the dividends after major shows rather than before, such as after Essen in October and after the UK Games Expo in June. I know the second of these is two months after, but until I have another regular show to pin it on, it is the nearest. Please email me your thoughts.

JKLM GAMES

Another new Member of the Team

Els Dellaert, who some of you have had the pleasure of meeting already, started helping out just after the last newsletter was written, so has now been with us for six months already. Her main role is to act as a personal assistant to me when I travel. She is also acting as a secretary, receiving all the emails and then forwarding them accordingly. Lastly, but by no means least, she is acting as our European Manager, for which her ability to speak and write four languages is very useful.

This brings our total to four along with Paul, David and myself.

Alliance

This is one of the largest Gamer Games distributors in America and also has routes to the high street. They currently serve over two thousand outlets and are now actively selling all our games into those shops.

Phoenicia

Phoenicia is still selling, but the good news is that we have had several companies asking if we can do language versions for them. We are looking into this and should see this come to light soon after Essen.

Essen

This is our eighth year presenting games to the world and this year we have gone two steps forward in achieving something new and exciting. We will have a 50m² stand – over twice that we had last year. “Why?” I hear you ask. Well, this year we have decided that not only do we want to help all the smaller companies make their games, but that it would be nice to present them all on the same stand. We have Mynd Games, Games for the World, Stratamax Games, MAG, Surprised Stare Games, Ragnar Brothers, Treefrog Games and us all together on one stand, creating an exciting array of games. Between us, we have **Solairis, World Cup, Days of Steam, Colors, Confucius, Monastery, Tinnens’ Trail, After the Flood, Steel Driver, Tulipmania, Huang Di** and **Ascendancy** which are all new to Essen, as well as a plethora of older games, giving us 40 titles on the stand in total. It’s quite a layout that should see the crowds come flocking to see what it is all about.

Confucius is the new game coming from Surprised Stare – and one reason I wanted to take on their games. Each player represents a Chinese family trying to extend its power in the government, the army and the navy. They do this through the subtle application of political and social influence (money, manipulating government officials and the strategic giving of gifts), rather than through direct conflict. I expect this to do well and raise the profile of Surprised Stare – and may well help sell more of **Scandaroon**. Although we released this at the UK Expo, we have had trouble acquiring the wooden pieces to get it all finished. These have now arrived and the game is selling very well. I envisage that it will sell out at Essen or soon after, however we have had enquiries for language version of this, so may well see another run soon.

Tulipmania 1637 is the first game that we put on the interactive site first to get feedback and allow people to try it out. They also have the opportunity of pre-ordering the game, so that we can assess demand before deciding how many to produce – a bit like GMT’s P500. The advantage for players is that they can actually play it. The game is definitely worth trying out. It’s based on the tulip market bubble in 17th century Holland, with players trying to invest in the tulips as the prices increase rapidly, but have an exit strategy set up for when the bubble burst. It has excellent mechanics that make the game easy to learn, but not to play. This is now going to be in four languages, with a minimum run of 2,000.

Huang Di comes from a new designer and is a very nice game about building the Great Wall of China. It creates a frustrating choice of where to build, as players compete for honours. After failing to get this to the UK Expo it will now be also late for Essen, but this time it is due to that fact that we adding 3 languages to the run and have yet to get all the graphics sorted, however this does mean that we have sold 2,000 copies already.

Ascendancy is the new game from Nigel Buckle (**Celtic Quest**) and has a very nice feel to it. It will also appeal to those who like games with an RPG feel, as this game has different races for players to play: 4 in the original box and 12 that we will add later. The same for this we have been frantically trying to get it finished in time for Essen but have unfortunately failed, but we have already sold 2,000 copies in other languages.

What's Next

On the Subway is the follow up to **On the Underground**, but set on the New York subway. It is much the same game, but there are some changes to the rules. And we have partnered with Alliance to release this game at the New York Toy Fair.

Random Violence/Mercenary is a fast "30 mins" fun that will appeal to a very wide audience and may even be a game that can go into the high street. We are discussing possible licensing (to give the game High Street appeal). The system lends itself to many different themes, offering further possibilities for the future. This will also be released at the New York Toy Fair. And I think it will do well.

We have just signed a contract for a game called **Chelsea**, which is being aimed at the high street. We have also been commissioned for nine games for next year also for the High Street.

We also have several other games in the offering that I will try and let you know about in the near future.

JKLM INTERACTIVE

Some of you may have already had a look at this. Those of you that haven't, can I encourage you to go and have a play. It now supports both real-time and play-by-mail games of **Phoenicia**, **On the Underground** and **Tulipmania**. We had hoped to have **Huang Di** available by now, but the production delays of the game have also delayed the interactive version. David Norman is the person responsible for putting this all together and is slowly going to be putting more games on this site for our customers to play. The main idea behind this site being to get our new games up and running online before we release them, enabling people to try before they buy. This in turn does two things for us. Firstly, it gives an idea of the response to the game, and therefore helps us to make better decisions regarding how many to produce. Secondly, we will make more money from the direct sales up-front, therefore helping to fund the run.

The other thing that will happen with this site is that after a short period of time or until the next game is available, you will be able to play the games for free. After that, you will be encouraged to become a member and pay a £5 subscription. This will give our members the ability to pre-order any of our games for 10% less online and we will also be running competitions and giving away some games.

We are also thinking of getting into the world of AI which seems to be a growing thing among the board games fraternity, this will allow us to put our games in the high street amongst other places.

JKLM n PEVANS DISTRIBUTION

After a cracking start to the year, sales to date are twice what they were last year. However, we have made a loss on the year so far as we now have to pay real rent for our warehouse and for managing it. We have also lost out to the rapid decline of the pound against the euro and now the dollar. The upside of this is that the games we've shipped to Alliance will bring in more than we expected. And we now enter into the last quarter of the year which always is our best quarter both in quantity and profit so could see us yet with an overall profit

Our customer base continues to expand, both in the UK and Europe. In particular, Playin Games is now ordering from us and we have acquired several customers in Italy. Our range of games is also still growing, but rather slower so far this year, but will get a bountiful of

new ones from Essen. We do have an agreement with Mayfair and will be carrying their games soon.

We have moved the warehouse again, taking a larger unit at the same place. This allows us to consolidate all our storage and have room to work as well. Martin Lander of Enmail is doing a good job managing the warehouse and despatching orders for us.

JKLM DIRECT

We are currently planning a major upgrade for the software behind the site, and are looking to attract someone to help improve the look and feel of the site. We think we have now found such a person will try and keep you updated on this, but visits to the site will give you indications that this is happening.

Sales have improved greatly with all the preordering that we are now doing, with games like Confucius, Agricola, and all the new ones for Essen, not forgetting Tinnern Trail.

This has seen the turnover triple and is therefore very promising for the future.

FUTURE VENTURES

The future for a while this year did not look good, but I will never say die and refuse adamantly to lie down and give up. To that end I have spent most of my time over the last six months plugging the hole created by our so-called friends. I have also found ways of making sure this does not happen again, by spreading my eggs around several different places. Also I have tried to find ways of creating new opportunities regarding old and new games.

There have been several avenues that I have managed to open up, these include language versions of existing games and of future productions. This has proved to be a good avenue and sees us creating partnerships with small European companies who would like to see our games in their own languages – French, German, Italian, Dutch and even some of the eastern European languages.

The other channel I have been trying to open up is the High Street. This is one of the hardest avenues to make happen. Paul and I visited the UK Toy Fair in February and Els and I went to Nuremberg. Both gave us valuable insight into this market. We have now made deals in partnership with other companies to be at the UK and New York Toy Fairs next year and hope to have one that sees us at Nuremberg as well. However this is only minor in light of the biggest cooperation of them all, we are teaming up with another English company that already has a path to shops such as John Lewis and Woolworths and a new one into Clinton Cards. They are looking to create a new range of games to complement their range of cards and we have been commissioned to come up with nine games around three different genres. The good thing about this is that they only want the UK market and will allow us to sell them to the rest of the world. Which means America.

I think, considering how the first part of this year went and that we were being strangled for cash, that the above shows that we have not allowed ourselves to be steamrollered and that we have bounced back with renewed vigour. We are still experiencing some cash flow problems, but believe we have stopped it getting worse and have created a way in which we can turn it around and show a steady increase beyond that of the past.

I hope all find this encouraging and that you will continue to support what we are doing as you have in the past and with that I would like to send you all my thanks for your patience and support.

On behalf of the JKLM team