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Welcome to the newsletter of JKLM. We hope to cover everything that we are doing within this newsletter.

JKLM HOLDINGS

The future is just getting better each and every time I come to do this report. Since last time we have yet again jumped forward more than I could have predicted!

Our relationship with Carta Mundi goes from strength to strength. They now think of us as part of their print process, sending new – and even old – clients to us for our ever-increasing advice and services.

It has become apparent that yet again we need to grow and become an even bigger part of the whole games industry and move into the general high street market. We are getting more and more games that would do well in that market. Through FRED we have relatively good contacts for reaching that market in the USA, but need to do the same here in the UK. We know this will be a hard nut to crack, so we are working on a game plan. The idea is to put together a package of a dozen (or more) games and take the whole catalogue to the buyers for major high street stores. Secondly, and probably most importantly, we realise that we are novices in this market, so we are talking to people who are already selling to this market with a view to striking some deals. We have spent the last few weeks making contacts with them and setting up meetings to explore things further.

We are also looking quite closely at the educational market, as this also is an area we are asked about. We now have a small range of games that we might be able to promote there.

What does all this mean? Well expansion, expansion, expansion. To cope with all of this and to be able to make it all work without financial hindrance, we are again looking at finding yet more investment, in order to allow us to grow so rapidly. This would be used to increase our production, both in terms of production run size and number of runs. A run of 10,000 games would cost us £50,000, and we want to do several.

We have also been handed what is, in my opinion, the opportunity of a lifetime: to produce a series of games for the London Olympics, I know this is 4 years away, but we need finished product in two and they all need to be designed and tested. If anybody has any ideas for suitable games, then please let us see them a.s.a.p.

So the future hinges yet again on our ability to raise investment. We have several options, the first of which is to offer the chance for members of the gaming world to invest once again and see how much we can raise. This is my preferred choice, and if anyone wants to increase their investment then please get in touch. Secondly, we can go outside the gaming world and see if we can attract a Business Investor. I have already sounded out a couple of these. In principle, they think we have a good idea; we just need to develop our ideas into a complete business plan so that they can see the full details. This we are now doing. Last – and most definitely least – is getting a loan from a bank. There are two major problems here: the company has not been operating very long and we don't have substantial profits or assets.

This is very much the last resort.

JKLM GAMES

New Member of the Team

Paul Evans is now on board full time and proving to be a very good asset, managing and organising the every-day running of the company – it's nice to know that things are being done when they need to be.

David Norman is also now doing increasingly more for us: websites, rules, playtesting etc. Again, a great asset, as it allows me to do the most important jobs of networking and getting work and sales.

American Production and Distribution Partner

Our cooperation with FRED Distribution goes from strength to strength. However, it seems that they are now nearing their financial capacity – one suggestion is for us to become an investor in their business. On the whole, I like the idea, but will be demanding certain changes. For one thing, I'd like to see more games produced through us using Carta Mundi. For another, having a bigger say in what they produce, as I would like to see them do fewer re-runs of old games and more new stuff.

Phoenicia

This continues to sell, but a re-run is less likely now.

Essen

Well, it came and it went. In cash terms, it was not very good: we took less than half as much as last year. If this had been the only factor, then it would have been disastrous. However, we sold more games than ever, with shops placing substantial orders – even if they don't pay immediately. The distributors of this world are also waking up to us and placing orders for our games – we might get less per game, but we sell more games.

Power and Weakness:- Andreas is always a good investment. This game is doing very well and we are already close to making a profit.

Caveman:- I was never quite sure about this as a JKLM game, but it is doing fairly well and is opening doors to the high street – one of the most compelling reasons for publishing it in the first place.

Stop Lights:- This is underestimated, but I believe it is a great three-player game with lots of hidden thought processes. It's well worth a play and I recommend you try it.

Scandaroon:- This is struggling, so in co-operation with the designers, we have reduced the recommended retail price to get money back in the kitty.

On the Horizon

Athene by Ian Vincent is the next game on the schedule. Set in Ancient Greece, players sail a boat in what begins as a calm sea, but the storms rise quickly, and players have to try and ride the storm home before their boat is lost on the rocks or in a whirlpool. We have begun to solicit pre-orders on the JKLM Games website, where there is also a video overview of the game.

Huang Di we inherited after Cambridge Games Factory pulled out. It 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.

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**.

1637 Tulipmania is the first game that we will put on the interactive site first to get feedback and allow people to try it out. They will 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 bursts. It has excellent mechanics that make the game easy to learn, but not to play.

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 latest news on **History of the World** is that the Ragnar Brothers have decided to handle production themselves. We still hope to be able to get the game, but this is looking less likely.

On the Metro is the follow up to **On the Underground**, but set on the Paris Metro. It is much the same game, but there are some changes to the rules.

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) with our American partners. The system lends itself to many different themes, offering further possibilities for the future.

There are several others that I'm still bartering over. The main thing is, that by the time we have finished all these, we are bound to have another batch of things to do.

So, as you can see, no rest for me, Paul or David.

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's a good place to get a quick game of Phoenicia or On the Underground, and Tulipmania has also just been released. 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

Paul has completed JKLMnP's management accounts for 2007 and a report has been sent to JKLMnP shareholders (if anyone would like a copy, let us know). At £56k, turnover was nearly double the 2006 figure, which is what we expected. Profit (before tax and dividends) remained at 8%, despite the extra cost of renting more warehouse space (though this only really bit in the final quarter).

We have widened the range of games we carry quite a bit – adding Rio Grande last year made a noticeable difference to the business. This means we are carrying substantially more stock, tying up JKLMnP's capital. We also spent rather too enthusiastically at Spiel in October, but are now making inroads into this stock.

We have also taken additional stock on consignment terms (that is, we only pay for what we sell). This is a good way of expanding the range we can offer, though usually at a reduced margin. This is proving to be quite effective and we'll be trying to work with more publishers on these terms.

Looking at our customer base, we now sell to about half the specialist retailers in the UK (half the ones we know about, anyway) and are picking up more. We also continue to acquire new customers in Europe, including our first sub-distributor of FRED's games.

Warehousing

Well, we got a bigger warehouse: four times the size, but for less than twice the price – and yet Markus's garage is still full of games! Hindsight is such a wondrous thing: if only we could have foretold this would happen, we could have planned for it. I just keep telling myself small steps, small steps and we will get there – as long as it's not like British Rail.

Longer term, we still hope to buy a decent-sized warehouse, as/when we can raise the funds. This will give us the scope to store and handle an even wider range of products, allowing us to act as main European distributor for FRED and other publishers.

JKLM DIRECT

This is another of the jobs that David has taken over. He has brought the site up to date, and I have to say there has been a marked increase in sales.

Having said that, there is a long way to go, and 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.

FUTURE VENTURES

Travel will always create more opportunities and in this business it is becoming more and more apparent that it is much more than essential.

When we have travelled to places, not only have the locals become aware of us, they have sought to build permanent ties with us. Not that I enjoy the limelight, but I think that it is important that we do this as much as possible. This includes visiting shows and cons in different countries and also sponsoring various events in order to get more exposure. This all of course comes under promotion. In the past, this has been an area I found quite daunting, but I am aware that, if we are to increase our coverage, we need to do whatever it takes. To this end, we must increase the amount we do in all forms of advertising.

As always, one of the main reasons we are growing so fast is the networking and the forming of partnerships with other companies. This is something that I believe quite passionately in and will continue to do as much as possible.

There are several people that we are hoping will want to have this unique relationship and, to that end, I will be spending a lot of time making this happen.

I would, as always like to thank all those who have put their faith in me, Paul, David and JKLM, and hope that we can continue to go forward towards a happy future.