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RADICA GAMES LTD
Form 6-K
December 23, 2004

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of December, 2004

Commission File Number: 0-23696

RADICA GAMES LIMITED
(Translation of registrant's name into English)

Suite V, 6/F., 2-12 Au Pui Wan Street, Fo Tan, Hong Kong
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or 40-F

Form 20-F Form 40-F
 ----- -----

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No X
 ----- -----

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Contents:

1. Quarterly Report for the Quarter Ended September 30, 2004
2. Press Release dated December 16, 2004
3. Press Release dated December 7, 2004
4. Press Release dated November 8, 2004 (2 releases)
5. Press Release dated September 21, 2004

This Report on Form 6-K shall be deemed to be incorporated by reference into the Registrant's Registration Statements on Form S-8 (No. 33-86960, No. 333-7000, No. 333-59737 and 333-61260) and on Form F-3 (No. 333-7526 and No. 333-79005).

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QUARTERLY REPORT *

For the quarterly period ended September 30, 2004

Commission File Number 0-23696

RADICA GAMES LIMITED
(Exact name of registrant as specified in charter)

Bermuda
(Country of Incorporation)

N/A
(I.R.S. Employer Identification No.)

Suite V, 6/F., 2-12 Au Pui Wan Street, Fo Tan, Hong Kong
(Address of principal executive offices)

Registrant's telephone number, including area code: (852) 2693 2238

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2004
Common Stock, par value \$0.01 per share	18,722,864

* As a foreign private issuer, the registrant is not required to file reports on Form 10-Q. It intends to make voluntary quarterly reports to its stockholders which generally follow the Form 10-Q format. Such reports, of which this is one, are furnished to the Commission pursuant to Form 6-K.

2

RADICA GAMES LIMITED
INDEX TO QUARTERLY REPORT ON FORM 6-K
QUARTER ENDED SEPTEMBER 30, 2004

ITEMS IN FORM 6-K

Page

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PART I - FINANCIAL INFORMATION.....4

Item 1. Financial Statements.....4

Condensed Consolidated Balance Sheets
September 30, 2004 (unaudited) and December 31, 2003.....4

Condensed Consolidated Statements of Operations
for the Three Months and Nine Months Ended September 30, 2004
(unaudited) and 2003 (unaudited).....5

Condensed Consolidated Statements of Shareholders' Equity
for the Nine Months Ended September 30, 2004 (unaudited) and
2003 (unaudited).....6

Condensed Consolidated Statement of Cash Flows
for the Nine Months Ended September 30, 2004 (unaudited) and
2003 (unaudited).....7

Notes To The Condensed Consolidated Financial Statements.....8

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations.....14

Item 3. Quantitative and Qualitative Disclosures about Market Risk.....17

Item 4. Controls and Procedures.....17

PART II - OTHER INFORMATION.....18

Item 1. Legal Proceedings.....18

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....18

Item 3. Defaults Upon Senior Securities.....18

Item 4. Submission of Matters to a Vote of Security Holders.....18

Item 5. Other Information.....18

Item 6. Exhibits.....18

PART I - FINANCIAL INFORMATION

Item 1. Financial Information

RADICA GAMES LIMITED
CONSOLIDATED BALANCE SHEETS
September 30, 2004 and December 31, 2003

(US dollars in thousands, except share data)

September 30,

December 31,

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	2004 (unaudited)	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,209	\$ 13,9
Investment securities	15,761	28,0
Accounts receivable, net of allowances for doubtful accounts of \$165 (\$251 as at December 31, 2003)	26,036	15,3
Inventories	28,869	15,5
Prepaid expenses and other current assets	4,136	2,7
Income taxes receivable	-	1,4
Deferred income taxes	1,706	1,7
 Total current assets	 96,717	 78,6
 Property, plant and equipment, net	 11,436	 11,9
 Goodwill	 9,551	 9,5
 Other assets	 859	 8
 Deferred income taxes, noncurrent	 56	 1,2
 Total assets	 \$ 118,619	 \$ 102,2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,128	\$ 6,3
Accrued warranty expenses	1,390	1,0
Accrued payroll and employee benefits	1,249	1,3
Accrued liabilities	5,709	3,9
Dividends payable	749	
Income taxes payable	196	3
 Total current liabilities	 26,421	 13,0
 Total liabilities	 26,421	 13,0
Shareholders' equity:		
Common stock par value \$0.01 each, 100,000,000 shares authorized, 18,722,864 shares outstanding (18,225,204 as at December 31, 2003)	187	1
Additional paid-in capital	4,551	3,5
Retained earnings	87,502	85,4
Accumulated other comprehensive (loss) income	(42)	
 Total shareholders' equity	 92,198	 89,1

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Total liabilities and shareholders' equity	\$ 118,619	\$ 102,2
	=====	=====

See accompanying notes to the consolidated financial statements.

4

RADICA GAMES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
Three months and nine months ended September 30, 2004 and 2003

(US dollars in thousands, except per share data)	Three months ended September 30,		Ni
	2004	2003*	
	(unaudited)	(unaudited)	(u
Revenues:			
Net sales	\$ 48,972	\$ 37,655	
Cost of goods sold (exclusive of items shown separately below)	(33,703)	(23,320)	
	15,269	14,335	
Gross profit			
Operating expenses:			
Selling, general and administrative expenses	(7,271)	(6,189)	
Research and development	(926)	(985)	
Depreciation and amortization	(450)	(460)	
Restructuring charge	-	-	
	(8,647)	(7,634)	
Total operating expenses			
Operating income	6,622	6,701	
Other income	394	50	
Net interest income	324	70	
Foreign currency gain, net	2	76	
	7,342	6,897	
Profit before income taxes			
Provision for income taxes	(1,352)	(272)	
	\$ 5,990	\$ 6,625	
Net profit			
Net profit per share:			
Basic	\$ 0.32	\$ 0.37	

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Diluted	\$ 0.31	\$ 0.34	
	=====	=====	=====
Weighted average number of common and common equivalent shares:			
Basic	18,687,802	18,085,226	1
	=====	=====	=====
Diluted	19,519,694	19,263,343	1
	=====	=====	=====
Cash dividends declared per share (4 cents declared and paid for each quarter ended March 31, June 30, September 30, and December 31, 2004)	\$ 0.04	\$ -	
	=====	=====	=====

* Reclassified to conform with 2004 presentation.

See accompanying notes to the consolidated financial statements.

5

RADICA GAMES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
Nine months ended September 30, 2004 and 2003

(US dollars in thousands)	Common stock ----- Number of shares	Amount	Additional paid-in capital	Retained earnings	Accu o compr incom
	-----	-----	-----	-----	-----
Balance at December 31, 2003	18,225,204	\$ 182	\$ 3,517	\$ 85,437	
Issuance of stock	1,726	-	16	-	
Stock options exercised	495,934	5	1,018	-	
Dividends declared	-	-	-	(2,984)	
Net income	-	-	-	5,049	
Unrealized loss on investment securities available-for-sale, net of nil tax	-	-	-	-	
Foreign currency translation, net of nil tax	-	-	-	-	
	-----	-----	-----	-----	-----
Balance at September 30, 2004	18,722,864	\$ 187	\$ 4,551	\$ 87,502	
	=====	=====	=====	=====	=====
Balance at December 31, 2002	17,796,131	\$ 178	\$ 2,320	\$ 72,946	
Issuance of stock	2,240	-	13	-	
Stock options exercised	347,692	3	963	-	
Net income	-	-	-	5,232	

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Unrealized loss on investment securities	-	-	-	-	-
Foreign currency translation	-	-	-	-	-
	-----	-----	-----	-----	-----
Balance at September 30, 2003	18,146,063	\$ 181	\$ 3,296	\$ 78,178	\$
	=====	=====	=====	=====	=====

The comprehensive income of the Company, which represents the aggregate of the net profit, unrealized loss on investment securities, and foreign currency translation adjustments, was \$4,987 and \$5,220 for the nine months ended September 30, 2004 and 2003 respectively.

See accompanying notes to the consolidated financial statements.

6

RADICA GAMES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 30, 2004 and 2003

(US dollars in thousands)	2004

	(unaudited)
Cash flow from operating activities:	
Net income	\$ 5,049
Adjustments to reconcile net income to net cash used in operating activities:	
Deferred income taxes	1,150
Depreciation and amortization	1,300
(Gain) Loss on disposal and write off of property, plant and equipment	(19)
Compensatory elements of stock issuances	16
Gain on trading investments	-
Changes in current assets and liabilities:	
Increase in accounts receivable	(10,676)
Increase in inventories	(13,366)
Increase in prepaid expenses and other current assets	(1,388)
Increase in accounts payable	10,778
Decrease in accrued payroll and employee benefits	(104)
Increase in accrued warranty expenses	350
Increase (decrease) in other accrued liabilities	1,733
Decrease (increase) in income taxes receivable	1,261

Net cash (used in) provided by operating activities	(3,916)

Cash flow from investing activities:	
Proceeds from sale of trading investments	12,207
Proceeds from sale of property, plant and equipment	1,278
Purchase of available-for-sale investment	-
Purchase of trading investments	-
Purchase of property, plant and equipment	(2,071)

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Net cash provided by (used in) investing activities	11,414
<hr style="border-top: 1px dashed black;"/>	
Cash flow from financing activities:	
Funds from stock options exercised	1,023
Dividends paid	(2,235)
Decrease in short-term borrowings	-
Repayment of long-term debt	-
<hr style="border-top: 1px dashed black;"/>	
Net cash used in financing activities	(1,212)
<hr style="border-top: 1px dashed black;"/>	
Effect of currency exchange rate change	(21)
<hr style="border-top: 1px dashed black;"/>	
Net increase (decrease) in cash and cash equivalents	6,265
<hr style="border-top: 1px dashed black;"/>	
Cash and cash equivalents:	
Beginning of period	13,944
<hr style="border-top: 1px dashed black;"/>	
End of period	\$ 20,209
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See accompanying notes to the consolidated financial statements.

7

RADICA GAMES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(QUARTER ENDED SEPTEMBER 30, 2004)
(US dollars in thousands)

1. BASIS OF PRESENTATION

FINANCIAL STATEMENT PRESENTATION

The condensed consolidated financial statements of Radica Games Limited (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The accompanying condensed consolidated financial statements contain all normal and recurring adjustments, which, in the opinion of management, are necessary to present fairly the financial position of the Company as of September 30, 2004, and its results of operations and cash flows for the periods presented herein. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 20-F for the year ended December 31, 2003.

Because the Company's business is seasonal, revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the operating results and trends in these unaudited condensed consolidated interim financial statements are not necessarily indicative of future

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results that may be expected for any other interim period or the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities as of and during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of goodwill, property, plant and equipment, valuation allowances for receivables and deferred income tax assets and provisions for product returns and warranties, as well as in estimates used in accounting for legal contingencies. Actual results could differ from the estimated results. Differences from those estimates are recorded in the period they become known.

ACCOUNTING FOR STOCK BASED COMPENSATION

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25, issued in March 2000, to account for its fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-based Compensation, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123. The following table illustrates the effect on net profit if the fair value based method had been applied to all outstanding and unvested awards in the period:

8

RADICA GAMES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (QUARTER ENDED SEPTEMBER 30, 2004) (US dollars in thousands except per share data)

1. BASIS OF PRESENTATION (CONTINUED)

	Three months ended September 30,		Nine mon
	2004	2003	2004
Net profit			
As reported	\$ 5,990	\$ 6,625	\$
Less: Total stock-based employee compensation expense determined under fair-value-based method for all rewards, net of related tax effects	(130)	(174)	
Pro forma	\$ 5,860	\$ 6,451	\$

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Reported net profit per share		
Basic	\$ 0.32	\$ 0.37
Diluted	0.31	0.34
Pro forma net profit per share		
Basic	\$ 0.31	\$ 0.36
Diluted	0.30	0.33

In April 2003, the Financial Accounting Standards Board ("FASB") announced that it would mandate the fair value method of accounting for all stock-based awards. In March 2004, the FASB issued an Exposure Draft of a proposed statement. The adoption of proposed statement would be required for interim and annual periods beginning after June 15, 2005. Until a final statement is issued, the Company cannot estimate the effect that this change in accounting would have on its consolidated statement of operations.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46, Consolidation of Variable Interest Entities, which was issued in January 2003. The Company will be required to apply FIN 46R to variable interests in VIEs created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation will be applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE.

The Company has evaluated the impact of applying FIN 46R and believes that, other than those entities already consolidated in the Company's consolidated financial statements, no additional entities would need to be consolidated by the Company.

RADICA GAMES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (QUARTER ENDED SEPTEMBER 30, 2004) (US dollars in thousands except per share data)

1. BASIS OF PRESENTATION (CONTINUED)

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 establishes standards for classification and measurement in the balance sheets for certain financial instruments which possess characteristics of both a liability and equity. The Company currently does not have any

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financial instruments that are within the scope of this Statement. The company adopted SFAS No. 150, effective January 1, 2004. The adoption of SFAS No. 150 did not result in any classification of the company's consolidated financial statements in all prior periods presented.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material affect on the Company's results of operations or financial position.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts to conform to the current year's presentation. These reclassifications had no effect on net profit or shareholders' equity.

2. NET PROFIT PER SHARE

Basic net profit per share is based on the weighted average number of shares of common stock, and with respect to diluted net profit per share, also includes the effect of all dilutive potential common stock outstanding. Dilutive potential common stock results from dilutive stock options and warrants. The effect of such dilutive potential common stock on net profit per share is computed using the treasury stock method. Dilutive potential common stock has no effect on net loss per share as the effect would be anti-dilutive.

The following table sets forth the computations of net profit per share for the three-month and nine-month periods ended September 30:

	Three months ended September 30,		Nine months e
	2004	2003	2004
Numerator for basic and diluted net profit per share:			
Net profit	\$ 5,990	\$ 6,625	\$ 5,04
Denominator:			
Basic weighted average shares	18,687,802	18,085,226	18,626,53
Effect of dilutive options	831,892	1,178,117	879,83
Diluted weighted average shares	19,519,694	19,263,343	19,506,36
Basic net profit per share:	\$ 0.32	\$ 0.37	\$ 0.2
Diluted net profit per share:	\$ 0.31	\$ 0.34	\$ 0.2

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RADICA GAMES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(QUARTER ENDED SEPTEMBER 30, 2004)
(US dollars in thousands)

3. BUSINESS SEGMENTS

The Company is a worldwide designer, producer and marketer of electronic entertainment devices. The Company has two reportable segments from which it derives its revenues: the Games business that sells product under the Company's Radica(R), Play TV(R) and Girl Tech(R) brand names, and the Video Game Accessory ("VGA") business that sells product under the Company's Gamester(R) brand name. The Company also sources certain VGA and other electronic products through third party manufacturers for retailers to sell under their own brands; this is also included in the VGA segment. The reportable segments are strategic businesses that offer different products.

The Company measures segment performance based on net profit before interest and other income and income taxes. Inter-segment sales and transfers have been eliminated and are not included in the following table. Certain corporate expenses are managed outside of the operating segments. Corporate expenses consist primarily of costs related to business integration and other general and administrative expenses. All corporate and indirect costs have been apportioned on the basis of corresponding sales and direct costs.

Information by segment for the three months and nine months ended September 30, 2004 and 2003 are as follows:

	Three months ended September 30,		Nine mon
	2004	2003	2004
Revenues from external customers			
Games and Youth Electronics	\$ 45,793	\$ 33,352	\$
VGA	3,179	4,303	
Total revenues from external customers	\$ 48,972	\$ 37,655	\$
Segment profit (loss)			
Games and Youth Electronics	\$ 7,306	\$ 7,788	\$
VGA	(42)	(192)	
Total segment profit	\$ 7,264	\$ 7,596	\$
Corporate			
Unallocated corporate expenses	\$ (640)	\$ (819)	\$
Net interest and other income	718	120	
Income tax expense	(1,352)	(272)	
Net profit	\$ 5,990	\$ 6,625	\$

RADICA GAMES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(QUARTER ENDED SEPTEMBER 30, 2004)
(US dollars in thousands)

4. GOODWILL

At September 30, 2004 and December 31, 2003, the Company's cost in excess of fair value of assets purchased (goodwill) related to the 1999 acquisition of Leda Media Products Limited, now called Radica UK Limited ("Radica UK"). On June 24, 1999, the Company purchased Radica UK for approximately \$15,970. During the quarter ended June 30, 2000, upon claiming certain breaches of warranty at Radica UK, the Company and the ex-shareholders of Radica UK mutually agreed to cancel certain loan notes such that the purchase price was reduced by \$1,399. The Company recorded goodwill of approximately \$12,100 resulting from the adjusted purchase price. Accumulated amortization related to goodwill of \$2,518 arising prior to the adoption of SFAS No. 142 has been reflected in the gross carrying amount of goodwill as of December 31, 2001.

Effective January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill is required to be tested for impairment on an annual basis at the reporting unit level. Furthermore, goodwill is required to be tested on an interim basis if an event or change in circumstances indicates that the asset might be impaired. The goodwill arising from the purchase of Radica UK was allocated to the Video Games Accessories ("VGA") reporting unit. In December 2003, the Company has undertaken goodwill impairment testing to determine whether the goodwill was impaired and the extent of such impairment. After performing this evaluation there was no impairment of goodwill as at December 31, 2003 as the fair value of the reporting unit (as determined using the expected present value of future cash flows) exceeded the carrying amount of the reporting unit (including goodwill). There have been no events since December 31, 2003 which would cause the Company to change this assessment.

5. INVENTORIES

Inventories by major categories are summarized as follows:

	September 30, 2004	December 31, 2003
	-----	-----
Raw materials	\$ 6,117	\$ 1,554
Work in progress	7,654	2,758
Finished goods	15,098	11,191
	-----	-----
	\$ 28,869	\$ 15,503
	=====	=====

6. PROPERTY, PLANT AND EQUIPMENT

Property and Plant and Equipment consists of the following:

September 30, 2004	December 31, 2003
-----------------------	----------------------

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Land and buildings	\$ 9,423	\$ 10,953
Plant and machinery	8,143	7,754
Furniture and equipment	8,104	7,514
Leasehold improvements	3,040	2,943
Total	28,710	29,164
Less: Accumulated depreciation and amortization	(17,274)	(17,256)
Total, net	\$ 11,436	\$ 11,908

12

RADICA GAMES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(QUARTER ENDED SEPTEMBER 30, 2004)
(US dollars in thousands)

7. ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	September 30, 2004	December 31, 2003
Accrued advertising expenses	\$ 1,121	\$ 1,091
Accrued license and royalty fees	2,371	1,062
Commissions payable	260	166
Other accrued liabilities	1,957	1,657
Total	\$ 5,709	\$ 3,976

8. PLEDGE OF ASSETS

At September 30, 2004, the Company's general banking facilities including overdraft and trade facilities were collateralized by leasehold land and buildings and bank balances with an aggregate net book value of \$2,234 and \$1,292, respectively.

9. LITIGATION

On April 4, 2000 a lawsuit was filed by the Lemelson Foundation ("Lemelson") against the Company in Arizona Court for patent infringement. Lemelson claims to be owners of nearly 800 issued and pending patents, including the patent on Machine Vision and Automatic Identification (Auto ID) operations. The Auto ID operation is used in machines that are part of the Company's bonding and heat-sealing manufacturing processes. Lemelson is contesting that the use of machines that incorporate this patented technology infringes on their IP rights and therefore the Company is obligated to pay a royalty based on the use of this technology. The suit by Lemelson has been stayed pending the outcome of Lemelson vs. Cognex, a similar suit filed by Lemelson, which will have some bearing on the Radica case with Lemelson. On January 23, 2004 a declaratory judgment was given in the Cognex case that the Lemelson's patent claims are invalid. If this

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judgment is upheld following appeal, the Company believes that this result is favorable to the Company's defense of the Lemelson lawsuit. On June 29, 2004, Lemelson filed its notice of appeal to the Court of Appeals for the Federal Circuit. The briefing is not expected to be completed until the first quarter of 2005 and a decision from the Court will likely not be issued until 2006.

The Company cannot predict the outcome of the Lemelson case or the effect of such litigation on the financial results of the Company. No accrual has been recorded at September 30, 2004 and December 31, 2003 in respect of the Lemelson case or other claims or legal actions, in accordance with SFAS No. 5 Accounting for Contingencies. Management does not believe that the ultimate disposition of the other matters will have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

13

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached financial statements and notes thereto, and with the audited financial statements, accounting policies and notes included in the Company's Annual Report on Form 20-F for the year ended December 31, 2003, as filed with the United States Securities and Exchange Commission.

DESCRIPTION OF BUSINESS

Founded in 1983 by Americans living in Hong Kong, Radica Games Limited (NASDAQ: RADA) was incorporated in Bermuda in 1993. We are headquartered in Hong Kong and manufacture our products in our factory in southern China. In 1994 we went public when our shares began trading on the Nasdaq National Market.

We manufacture and market a diverse line of electronic entertainment products covering multiple product lines -- electronic games carrying the Radica(R), Play TV(R) and Arcade Legends (TM) brand names, Gamester(R) branded video game controllers & accessories, girls' lifestyle electronics carrying the Girl Tech(R) and Barbie(TM) brand names and three new categories introduced in 2004, a doll line carrying the Twinkleberries(TM) brand name, an infra red car line carrying the Nitro Battlerz(TM) brand name and a remote control combination truck and plane product being distributed in the United Kingdom under the Atlas brand name. Product sales data for these three new brands are displayed in the sales summary under "Other Electronic Toys". Our factory also manufactures for other companies in the electronic game industry. We market our products through subsidiaries in the United States, the United Kingdom, Canada, Macau and Hong Kong. Our largest market is in the United States where in 2003 we had the second largest market share in the electronic handheld and tabletop electronic games categories according to industry data source, The NPD Group, Inc.

RESULTS OF OPERATIONS

The following table sets forth items from our Consolidated Statements of Operations as a percentage of net sales:

Three months ended September 30,	
2004	2003
-----	-----

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Net sales	100.0%	100.0%
Cost of goods sold	(68.8%)	(61.9%)
Gross margin	31.2%	38.1%
Selling, general and administrative expenses	(14.9%)	(16.4%)
Research and development	(1.9%)	(2.6%)
Depreciation and amortization	(0.9%)	(1.2%)
Operating income	13.5%	17.8%
Net interest and other income	1.5%	0.3%
Foreign currency gain, net	-	0.2%
Profit before income taxes	15.0%	18.3%
Provision for income taxes	(2.8%)	(0.7%)
Net profit	12.2%	17.6%

We reported a net profit for the third quarter of 2004 of \$6.0 million or \$0.31 per diluted share compared to \$6.6 million or \$0.34 per diluted share in the third quarter of 2003.

14

Summary of sales achieved from each category of products:

Product Lines	Three months ended September 30		
	2004		
	% of Net Sales Value	Net Sales Value	% of Net Sales Value
(US dollars in thousands)			
Electronic Games	69.9%	\$ 34,220	
Youth Electronics	13.2%	6,447	
Other Electronic Toys	3.3%	1,657	
VGA	6.5%	3,179	
Manufacturing Services	7.1%	3,469	
Total	100.0%	\$ 48,972	1

Gross profit margin for the quarter of 2004 was 31.2% compared to 38.1% in the third quarter of 2003. Gross margins for the quarter were significantly impacted by costs associated with meeting the large surge in demand for our products. As a result of this and the recent delays in ocean freight experienced in the industry at large, we incurred a significantly higher percentage of air freight than in past years to meet customer plan-o-gram and advertising dates. Additionally, we needed to increase the percentage of higher cost outsourcing during this peak production period. Finally, there was a sales mix shift in the direction of lower margin Play TV Legends products and increased plastics costs.

Sales for the quarter increased by 30.1% to \$49.0 million from \$37.7 million due to increases in sales in all toy and game areas, but particularly in the new Play TV Legends line and in 20Q, which are seeing strong demand. Excluding

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Manufacturing Services, Radica branded products sales set a quarterly all time record of \$45.5 million and increased by 38.2% versus the prior year.

In Manufacturing Services, our strategy to move away from this business and increase our focus on the more profitable Radica branded sales resulted in a \$1.3 million reduction in Manufacturing Services sales compared to the third quarter of 2003.

Operating expenses increased to \$8.6 million for the quarter from \$7.6 million in Q3 2003. The increase was due to advertising and variable selling expenses affected by increased sales.

Pre-tax profits grew by 6.5% for the quarter and 12.5% year to date. The tax provision for the quarter was \$1.4 million compared to \$0.3 million for 2003 as the net operating loss carry forwards in the United States have now been fully utilized. As a result, the tax rate for the group was 18.4% for the quarter compared to 3.9% for Q3 of 2003.

The following table shows the major operating expenses:

(US dollars in millions)	Three months ended September 30,	
	2004	2003
Advertising expenses	1.6	1.0
Other selling and promotion expenses	1.5	1.1
Indirect salaries and bonus	2.2	2.1
Other general & administrative expenses	1.9	1.9
Research and development expenses	0.9	1.0
Depreciation and amortization	0.5	0.5

15

LIQUIDITY AND CAPITAL RESOURCES

Our cash and investment securities totaled \$36.0 million at September 30, 2004 as compared to \$42.0 million at December 31, 2003. The \$6.0 million decrease was primarily due to changes in assets and liabilities and non-cash items (\$9.0 million), dividend paid (\$2.2 million) and the purchase of property, plant and equipment (\$2.1 million) that was partially offset by the \$5.0 million net income and receipt of cash proceeds related to exercise of stock options (\$1.0 million) and proceeds from sales of property, plant and equipment (\$1.3 million).

Change in assets and liabilities result primarily from the timing of production, sales and purchases. These timing differences resulted in increases in accounts receivables, inventories and accounts payable. Such seasonal changes in assets and liabilities are typical for the toy industry and should partially reverse by year-end.

Our accounts receivable was \$26.0 million at September 30, 2004 as compared to \$15.4 million at December 31, 2003. Inventories increased to \$28.9 million from \$15.5 million at December 31, 2003. Our business is inherently seasonal. Normally our sales have been lowest during the first and second quarters and highest during the third and fourth quarters. Receivables have been lowest during the succeeding first and second quarters. Likewise, inventory buildup is seasonal. The increase in accounts receivable related primarily to the increased sales in the third quarter of 2004 compared to the third quarter of 2003. The increase in inventory was due primarily to a greater increase in inventory

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buildup for next quarter's demands but customers could change their delivery schedules or cancel orders. Lead times for the release of purchase orders depend upon the scheduling practices of individual customers and delivery times of our new products can be affected by scheduling factors and other manufacturing considerations.

Current liabilities were \$26.4 million at September 30, 2004, up \$13.3 million from the \$13.1 million reported at December 31, 2003. This was mainly due to an increase in payables related to inventory purchases and dividends payable. There was no debt at September 30, 2004 and December 31, 2003.

At September 30, 2004, we had net assets of \$92.2 million compared with \$89.2 million at December 31, 2003. Our business generates a significant majority of its cash from its normal operations but seasonal cash requirements have been met with the use of short-term borrowings, which included borrowings under secured lines of credit. We had no derivative instruments or off-balance sheet financing activities during the quarter ended September 30, 2004. We believe that our existing cash and cash equivalents and cash generated from operations are sufficient to satisfy the current anticipated working capital needs of our core business.

We believe that our existing credit lines are sufficient to meet future short-term cash demands, including seasonal build up of inventory. We fund our operations and liquidity needs primarily through cash flow from operations, as well as utilizing borrowings under secured and unsecured credit facilities when needed. During 2004, we expect to continue to fund our working capital needs through operations and the revolving credit facility and we believe that the funds are available to meet our needs. However, unforeseen circumstances such as severe softness in, or a collapse of, the retail environment may result in a significant decline in revenues and operating results, thereby causing us to exhaust our cash resources. If this were to occur, we may be required to seek alternative financing of working capital.

On January 5, March 29 and June 21, 2004, we declared first, second and third dividends each of 4 cents per share which were paid on January 30, April 30 and July 30, 2004, respectively. On September 21, 2004, we declared a fourth dividend of 4 cents per share which was paid on October 29, 2004.

CRITICAL ACCOUNTING POLICIES

For a discussion of our critical accounting policies, see "Item 5, operating and financial review and prospects" in our 2003 Form 20-F.

16

RECENTLY ISSUED ACCOUNTING STANDARDS

A discussion of certain recently issued accounting standards and the estimated impact on us is set out in note 1 to the condensed consolidated financial statements.

RISK FACTORS

For a discussion of our risk factors, see "Item 3. Key Information -- Risk Factors" and "Item 5. Operating and Financial Review and Prospects" in our 2003 Form 20-F. Additional risk factors:

Foreign Currency Risk

Efforts to increase worldwide distribution have made our business increasingly

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global. We expect that international sales may continue to represent a significant portion of our revenue. Although most of our international sales are denominated in the US dollars, fluctuations in foreign currencies may have an impact on our financial results. We are prepared to hedge against fluctuations in foreign currencies if the exposure is material, although we have not engaged in hedging activities to date.

We have monetary asset and liability balances in foreign currencies other than the U.S. dollar, including the Pound Sterling, the Canadian dollar, the Hong Kong dollar and the China RMB. International distribution and sales revenues usually are made by our subsidiaries in the United States, United Kingdom and Canada, and are denominated typically in their local currency. However, the expenses incurred by these subsidiaries are also denominated in the local currency. As a result, our operating results are exposed to changes in exchange rates between the United States Dollar and the Pound Sterling or the Canadian dollar. Our operating results could also be affected by changes in the exchange rate between the US dollar and the China RMB if the Chinese currency were to stop being pegged to the US dollar.

FORWARD-LOOKING STATEMENTS AND CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS (CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995)

Certain written and oral statements made or incorporated by reference from time to time by us or our representatives in this Form 6-K, other filings or reports filed with the Securities and Exchange Commission, press releases, conferences, or otherwise, contain certain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as "should", "expect", "anticipate", "estimate", "may", "will", "project", "guidance", "intend", "plan", "believe" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, or depend on the outcome of contingencies such as legal proceedings. Management cautions you that forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. For a more complete discussion of our risk factors, you are referred to the sections in our Form 20-F and Form 6-K identified above under the caption "Risk Factors". The forward-looking statements made in this Form 6-K speaks only as of the date on which the statements are made.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk disclosures have not materially changed from those appearing in our 2003 Form 20-F (see Item 11).

ITEM 4. CONTROLS AND PROCEDURES

Not Applicable.

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Item 1. Legal Proceedings

See Note 9 to the accompanying Financial Statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

None.

18

SIGNATURE

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RADICA GAMES LIMITED

Date: December 23, 2004

/s/ Craig D. Storey

Craig D. Storey
Chief Accounting Officer

RADICA GAMES LIMITED
COMMENTS ON FOURTH QUARTER OUTLOOK

FOR IMMEDIATE RELEASE
DECEMBER 16, 2004

CONTACT: PATRICK S. FEELY
PRESIDENT & CEO
(LOS ANGELES, CALIFORNIA)
(626) 744 1150

DAVID C.W. HOWELL
PRESIDENT ASIA OPERATIONS
& CFO
(HONG KONG)
(852) 2688 4201

(HONG KONG) Radica Games Limited (NASDAQ: RADA) announced today that while 4th quarter sales are likely to exceed prior year's 4th quarter sales by 5% to 10%, they are tracking below the Company's expectations. The Company cited the primary issue as the reduction in orders from a major customer that normally accounts for about one third of 4th quarter sales. The Company has also experienced production shortages on certain key products and shipping delays due to U.S. port congestion.

In addition, gross margins for the fourth quarter have continued to be impacted by material and shipping costs. As a result, the Company expects 4th quarter earnings per share to be in single digits.

Pat Feely, Radica's President and CEO said, "In spite of the sales reduction we are experiencing from one key customer, our business with our other key accounts and the product "sell through" have been excellent. We are disappointed with the results we expect for the quarter; however we are encouraged by the sales movement of our products, particularly 20Q. We continue to have very positive expectations for 2005."

The foregoing discussion contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Forward-looking statements include statements about efforts to attract or prospects for additional or increased business, new product introductions and other statements of a non-historical nature. Actual results may differ from projected results due to various Risk Factors, including Risks of Manufacturing in China, Dependence on Product Appeal and New Product Introductions, and Dependence on Major Customers, as set forth in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, as filed with the Securities and Exchange Commission. See "Item 3. Key Information -- Risk Factors" in such report on Form 20-F.

Radica Games Limited (Radica) is a Bermuda company headquartered in Hong Kong (NASDAQ: RADA). Radica is a leading developer, manufacturer and distributor of a diverse line of electronic entertainment products including electronic games, youth electronics, video game accessories and high-tech toys. Radica has

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subsidiaries in the U.S.A., Canada and the U.K., and a factory in Dongguan, Southern China. More information about Radica can be found on the Internet at www.radicagames.com.

-- END --

RADICA(R) TAKES TOP TECH TOY HONORS AT INAUGURAL ULTIMATE TOY AWARDS SHOW

FOR IMMEDIATE RELEASE
DECEMBER 7, 2004

CONTACT: PATRICK S. FEELY
PRESIDENT & CEO
(LOS ANGELES, CALIFORNIA)
(626) 744 1150

DAVID C.W. HOWELL
PRESIDENT ASIA OPERATIONS
& CFO
(HONG KONG)
(852) 2688 4201

(HONG KONG) Radica Games Limited (NASDAQ: RADA), a leading developer, manufacturer and distributor of a diverse line of electronic entertainment products was honored at the first-ever Ultimate Toy Awards Show. My Photo Booth, from the company's Girl Tech line of toys for tween girls, received the 'Ultimate Tech Toy of the Year' award, which aired nationally on NBC December 4th. Toy Wishes Magazine, The Ultimate Guide to Family Entertainment, and DIC Entertainment, a leading independent children's entertainment company, partnered to produce this one-of-a-kind televised awards program, produced by Dick Clark Productions, celebrating play, entertainment and the toy industry.

"Radica is a prominent leader in electronic entertainment," notes Jim Silver, editor-in-chief of Toy Wishes Magazine. "My Photo Booth has an innovative, technological kind of 'magic' that appeals to kids, so it's no surprise that Radica took top honors in the Tech Toy category."

"We are absolutely thrilled to receive this award," states Pat Feely, president and chief executive officer of Radica. "To be honored by our peers, the press and most importantly, consumers, is a testament to our brand and our commitment of manufacturing innovative, high-tech, quality toys."

Radica products were also among the finalists in four other categories, including the top prize, 'The Best Toy of the 2004.' Nitro Battlerz, an R/C game where kids build their vehicles and dome track then give the cars super speed to race and crash them, finished as a runner-up. The item was also nominated in the Radio-Controlled Toys category. Barbie Balance Beam was a nominee in the Girls' Toys category and Play TV EA Sports SSX Snowboarder was a nominee in the Video Games & CD-Roms categories.

THE VOTING PROCESS:

Toy lovers were asked to cast their votes online at Toysrus.com in 20 categories, ranging from "Ultimate Action & Adventure Toy of the Year" to "Ultimate Stuffed Animal Toy of the Year." There were also three non-toy categories such as "Girl Cartoon Star of the Year," "Boy Cartoon Star of the Year" and "Movie Star of the Year." Voters also selected their choice for the top prize of all -- "The Best Toy of 2004." Online votes cast by consumers, coupled with votes cast by members of the American toy press, determined the winners of "The Ultimate Toy Awards." Voting ended on November 3rd.

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ABOUT THE AWARD WINNING PRODUCT:

With My Photo Booth, kids just strike a pose and say "Cheese" to experience the thrill of a real life photo booth right at home. It has a mirror to make sure that everyone is in the picture and a red flash, just like a real photo booth. And the best part is, My Photo Booth is portable, so kids never have to worry about missing a photo op! Includes one pack of Polaroid Instant Izone film. (\$44.99 / 6 years and up)

ABOUT TOY WISHES:

The inaugural issue of Toy Wishes Magazine, The Ultimate Guide to Family Entertainment, hit newsstands in October 1999 and was met with phenomenal success. The first-ever magazine about toys is not only designed to help parents, grandparents even the kids themselves -- wade through the often overwhelming clutter to find the most outstanding toys of the season -- the coveted Toy Wishes Hot Dozen -- but includes over 500 toy reviews, a comprehensive guide to family entertainment, exciting sweepstakes and informative articles filled with 'how to' tips on shopping, time management and planning family activities. Toy Wishes is available at newsstands everywhere. For more information, check out www.toywishes.com.

ABOUT DIC ENTERTAINMENT:

DIC Entertainment, a leading children's entertainment company, is a full-service studio dedicated to creating, developing, producing, distributing, marketing and merchandising family-based intellectual properties. DIC has distinguished itself by building one of the largest libraries of U.S. animation with more than 3,000 half-hours of renowned programming, including Inspector Gadget(TM), Strawberry Shortcake(TM), Knights of the Zodiac(TM), Sabrina(TM), Madeline(TM), Liberty's Kids(TM), Where On Earth Is Carmen Sandiego?(TM), Sonic The Hedgehog(TM), Super Mario Bros(TM) and Super Duper Sumos(TM). In September 2003, DIC launched the DIC Kid's Network, a unique syndicated programming block designed to meet core FCC requirements and the only network for kids that reaches effectively 100 percent of U.S. households on over 400 stations, airing in every Designated Market Area across the country. As a pre-eminent supplier of kid's programming worldwide, DIC has developed strategic partnerships with key domestic and international broadcast partners throughout the U.S., Europe, Asia, Latin America, Africa and Australia. DIC is headquartered in Burbank, California with international offices in New York, Paris, London and Cologne.

ABOUT DICK CLARK PRODUCTIONS, INC.:

Dick Clark Productions, Inc. is a leading independent producer of a wide range of television programming for broadcast.

ABOUT RADICA GAMES LIMITED:

Radica Games Limited (Radica) is a Bermuda company headquartered in Hong Kong (NASDAQ: RADA). Radica is a leading developer, manufacturer and distributor of a diverse line of electronic entertainment products including electronic games, youth electronics, video game accessories and high-tech toys. Radica has subsidiaries in the U.S.A., Canada and the U.K., and a factory in Dongguan, Southern China. More information about Radica can be found on the Internet at www.radicagames.com.

-- END --

RADICA GAMES LIMITED
REPORTS THIRD QUARTER 2004 RESULTS

FOR IMMEDIATE RELEASE

CONTACT: PATRICK S. FEELY

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NOVEMBER 8, 2004

PRESIDENT & CEO
(LOS ANGELES, CALIFORNIA)
(626) 744 1150

DAVID C.W. HOWELL
PRESIDENT ASIA OPERATIONS
& CFO
(HONG KONG)
(852) 2688 4201

HIGHLIGHTS FOR Q3 2004:

- o Total sales increase 30.1% -- Radica branded sales set quarterly record up 38.2%
- o Profits impacted by higher air shipping and outsourcing costs triggered by large increase in demand.
- o Pretax Profit increased 6.5%; however, net profit decreased 9.6% reflecting normalized tax status
- o Strong demand noted for Play TV Legends and 20Q products

(HONG KONG) Radica Games Limited (NASDAQ: RADA) announced today its results for the third quarter ended September 30, 2004. The Company reported a net profit for the quarter of \$6.0 million or \$0.31 per diluted share compared to \$6.6 million or \$0.34 per share in the third quarter of 2003. While pretax profit increased by 6.5% for the quarter, net profit decreased by 9.6% due to certain tax credits favorably effecting only the prior year. Net profit for the nine-month period ended September 30, 2004 was \$5.0 million or \$0.26 per diluted share compared to \$5.2 million or \$0.28 per diluted share for the same period in 2003 and pretax profits increased by 12.5% for the nine-month period. Profitability for the quarter was affected by an increased amount of air freight necessary to fill demand and overcome ocean freight delays as well as outsourcing costs to address higher production requirements for the quarter. Other factors affecting profit margins included increased plastics costs and change in sales mix resulting from large import shipments of lower margin Play TV Legends products.

Sales for the quarter increased by 30.1% to \$49.0 million from \$37.7 million due to increases in sales in all toy and game areas, but particularly in the new Play TV Legends line and in 20Q, which are seeing strong demand. Sales year to date increased 13.1% to \$79.9 million as compared to \$70.6 million for the same period in 2003. Excluding Manufacturing Services, Radica branded products sales set a quarterly all time record of \$45.5 million and increased by 38.2% versus the prior year. Branded sales are up by 22.5% for the nine-month period.

Gross margins for the quarter were significantly impacted by costs associated with meeting the large surge in demand for the Company's products. As a result of this and the recent delays in ocean freight experienced in the industry at large, the Company incurred a significantly higher percentage of air freight than in past years to meet customer plan-o-gram and ad promotion dates. Additionally, the Company needed to increase the percentage of higher cost outsourcing during this peak production period. Finally, there was a sales mix shift in the direction of lower margin Play TV Legends products and increased plastics costs. While there may be some impact from these factors again in Q4, the impact is expected to be substantially less than in Q3.

Pat Feely, Radica's President and CEO commented, "Radica's sales growth this quarter is particularly gratifying considering the softness in the current toy market. While we were disappointed that operating profits did not grow more

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significantly due to the additional costs we experienced trying to satisfy surging demand, we believe this is a short term issue that will significantly impact only this quarter. However, it has to be taken into account in full year estimates. Additionally, with the current soft retail environment, caution will continue to be called for as the year unfolds."

"We are very pleased with the early fall retail movement we are seeing from our Play TV Legends product line and particularly the Sega Genesis product and 20Q has developed into a genuine hit. Radica has received numerous awards this fall from various publications and toy rating services for other new products including Nitro Battlerz, Girl Tech Photo Booth, Girl Tech Friend Chips, and Play TV SSX Snowboarding. We were also encouraged by the reaction from customers to our 2005 product line at the Fall Toy Fair in October. Given these factors, we are excited about the opportunities we see for continuing our momentum into 2005 and beyond," added Feely.

The following table shows the detailed revenue comparisons for the quarter:

Product Line Revenues	Three months ended September 30,		Nine months ended September	
	2004	2003	2004	2003
(US\$ in thousands)				
Radica Branded Products:				
Electronic Games	\$ 34,220	\$ 23,511	\$ 51,791	\$ 34,220
Youth Electronics	6,447	5,925	11,273	11,273
Other Electronic Toys	1,657	-	2,222	-
VGA	3,179	3,479	7,187	7,187
Subtotal branded	\$ 45,503	\$ 32,915	\$ 72,473	\$ 52,687
Manufacturing Services	\$ 3,469	\$ 4,740	\$ 7,423	\$ 7,423
TOTAL	\$ 48,972	\$ 37,655	\$ 79,896	\$ 60,110

Gross profit margin for Q3 2004 was 31.2% compared to 38.1% in Q3 2003 and was 33.2% for the year to date compared to 36.7% for the comparable period in 2003. This decrease in gross margin was in large measure due to increased air freight costs coupled with increased outsourcing costs due to significantly increased demand for the Company's products. Margins were also impacted by an increased percentage of sales coming from lower margin Play TV Legends products as well as increased material costs for certain products with high plastic content.

Operating expenses increased to \$8.6 million for the quarter from \$7.6 million in Q3 2003. The increase was due to variable expenses affected by increased sales. For the nine months ended September 30, 2004, operating expenses increased \$0.5 million from the comparative period in 2003 for similar reasons.

Pre-tax profits grew by 6.5% for the quarter and 12.5% year to date. The tax provision for the quarter stood at \$1.4 million compared to \$0.3 million in Q3 of 2003 as the net operating loss carry forwards in the United States have now been fully utilized pushing the tax rate for the group to 18.4% for the quarter compared to 3.9% for Q3 of 2003.

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At September 30, 2004 the Company had \$36.0 million of cash and investment securities, and net assets of \$92.2 million as compared to \$42.0 million and \$89.2 million, respectively, at December 31, 2003. There was no debt at September 30, 2004 and December 31, 2003. Inventories increased to \$28.9 million from \$15.5 million at December 31, 2003, reflecting normal seasonal increases. Receivables increased to \$26.0 million from \$15.4 million at December 31, 2003 also due to normal seasonality and higher sales.

On September 21, 2004, the Company declared a fourth dividend for the year of 4 cents per share, which was paid on October 29, 2004.

The foregoing discussion contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Forward-looking statements include statements about efforts to attract or prospects for additional or increased business, new product introductions and other statements of a non-historical nature. Actual results may differ from projected results due to various Risk Factors, including Risks of Manufacturing in China, Dependence on Product Appeal and New Product Introductions, and Dependence on Major Customers, as set forth in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, as filed with the Securities and Exchange Commission. See "Item 3. Key Information -- Risk Factors" in such report on Form 20-F.

Radica Games Limited (Radica) is a Bermuda company headquartered in Hong Kong (NASDAQ: RADA). Radica is a leading developer, manufacturer and distributor of a diverse line of electronic entertainment products including electronic games, youth electronics, video game accessories and high-tech toys. Radica has subsidiaries in the U.S.A., Canada and the U.K., and a factory in Dongguan, Southern China. More information about Radica can be found on the Internet at www.radicagames.com.

-- END --

RADICA GAMES LIMITED CONSOLIDATED STATEMENTS OF OPERATIONS

(US dollars in thousands,
except per share data)

	Three months ended September 30,	Nine
	2004	2003*
	(unaudited)	(unaudited)
Revenues:		
Net sales	\$ 48,972	\$ 37,655
Cost of goods sold (exclusive of items shown separately below)	(33,703)	(23,320)
Gross profit	15,269	14,335
Operating expenses:		
Selling, general and administrative expenses	(7,271)	(6,189)

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Research and development	(926)	(985)
Depreciation and amortization	(450)	(460)
Restructuring charge	-	-
	-----	-----
Total operating expenses	(8,647)	(7,634)
	-----	-----
Operating income	6,622	6,701
Net interest and other income	718	120
Foreign currency gain, net	2	76
	-----	-----
Profit before income taxes	7,342	6,897
Provision for income taxes	(1,352)	(272)
	-----	-----
Net profit	\$ 5,990	\$ 6,625
	=====	=====
Net profit per share:		
Basic	\$ 0.32	\$ 0.37
	=====	=====
Diluted	\$ 0.31	\$ 0.34
	=====	=====
Weighted average number of common and common equivalent shares:		
Basic	18,687,802	18,085,226
	=====	=====
Diluted	19,519,694	19,263,343
	=====	=====
Cash dividends declared per share (4 cents declared and paid for each quarter ended March 31, June 30, September 30, and December 31, 2004)	\$ 0.04	\$ -
	=====	=====

* Reclassified to conform with 2004 presentation.

RADICA GAMES LIMITED
CONSOLIDATED BALANCE SHEETS

(US Dollars in thousands, except share data)

September 30,

2004

(unaudited)

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ASSETS

Current assets:	
Cash and cash equivalents	\$ 20,209
Investment securities	15,761
Accounts receivable, net of allowances for doubtful accounts of \$165 (\$251 as at December 31, 2003)	26,036
Inventories	28,869
Prepaid expenses and other current assets	4,136
Income taxes receivable	-
Deferred income taxes	1,706

Total current assets	96,717

Property, plant and equipment, net	11,436

Goodwill	9,551

Other asset	859

Deferred income taxes, noncurrent	56

Total assets	\$ 118,619
	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$ 18,518
Accrued payroll and employee benefits	1,249
Accrued expenses	6,458
Income taxes payable	196

Total current liabilities	26,421

Total liabilities	26,421

Shareholders' equity:	
Common stock	
par value \$0.01 each, 100,000,000 shares authorized, 18,722,864 shares outstanding (18,225,204 as at December 31, 2003)	187
Additional paid-in capital	4,551
Retained earnings	87,502
Accumulated other comprehensive (loss) income	(42)

Total shareholders' equity	92,198

Total liabilities and shareholders' equity	\$ 118,619
	=====

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RADICA GAMES LIMITED CEO AND CFO TO SPEAK
AT HARRIS NESBITT PLAYTIME 2004 INVESTOR CONFERENCE

FOR IMMEDIATE RELEASE
NOVEMBER 8, 2004

(HONG KONG) Radica Games Limited (NASDAQ: RADA) announced today that Patrick S. Feely, President & Chief Executive Officer, and David Howell, President Asia Operations & Chief Financial Officer, will be presenting during the Harris Nesbitt Playtime 2004 Investor Conference being held at the Grand Hyatt Hotel in New York, New York on November 8-9, 2004. Messrs. Feely and Howell are scheduled to present on Tuesday, November 9th at 11:30 AM EST.

An audio webcast of the presentation will be available at the Investor Relations section of the Company's website (www.radicagames.com) or at the Audio Webcast section of the Harris Nesbitt website (www.harrisnesbitt.com/conferences/playtime2004/default.asp). To listen to the presentation, logon to the website at least fifteen minutes early to register, download and install any necessary audio software. An archive of Radica's presentation may be accessed beginning two hours after the completion of the live presentation, for up to 30 days.

Radica Games Limited (Radica) is a Bermuda company headquartered in Hong Kong (NASDAQ: RADA). Radica is a leading developer, manufacturer and distributor of a diverse line of electronic entertainment products, including electronic games, youth electronics, video game accessories and high-tech toys. Radica has subsidiaries in the U.S.A., Canada and the U.K., and a factory in Dongguan, Southern China. More information about Radica can be found on the Internet at www.radicagames.com.

Contact: Vivian Merrill, Investor Relations
(Los Angeles, California)
(626) 744-1150

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RADICA GAMES LIMITED
ANNOUNCES QUARTERLY CASH DIVIDEND

FOR IMMEDIATE RELEASE
SEPTEMBER 21, 2004

CONTACT: PATRICK S. FEELY
PRESIDENT & CEO
(LOS ANGELES, CALIFORNIA)
(626) 744 1150

DAVID C.W. HOWELL
PRESIDENT ASIA OPERATIONS
& CFO
(HONG KONG)
(852) 2688 4201

(HONG KONG) Radica Games Limited (NASDAQ: RADA) announced today that its Board of Directors has declared a quarterly dividend of \$0.04 per share. The dividend will be payable on October 29, 2004, to shareholders of record as of October 19,

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ABOUT RADICA GAMES LIMITED

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