

27 April 2004

THE GAME GROUP PLC
Preliminary results for the year ended 31 January 2004

THE GAME GROUP PLC, Europe's leading retailer of computer and video games software, today announces preliminary full year results for the 52 weeks ended 31 January 2004 (comparatives are for the 53 weeks ended 31 January 2003).

HIGHLIGHTS

- Group turnover up by 8.3% to £606.7m (£560.1m)
- Like for like sales in the year increased by 2%
- Profit before tax, goodwill amortisation and exceptional charges increased for the fourth consecutive year, up 4.5% to £34.7m (£33.2m)
- EPS before goodwill and exceptional charges increased by 10.5% to 6.63p (6.00p)
- Dividend doubled to 2p for the year
- £16.5m returned to shareholders through share buyback programme
- Gross margin improvement from 28.1% to 28.8%
- GAME continues to outperform the market
- Services agreement with Electronics Boutique Inc (EBI) terminated early for a one off payment of £8.3m which the Board considers will be earnings enhancing
- 42 stores opened in the year with increased store opening plan for 2004

Peter Lewis, Chairman, commented:-

"This was the fourth consecutive year of profit growth achieved in even more difficult market conditions. We are confident of making further progress this year and are even more confident of the medium to long term market outlook. As a result your Board is recommending a doubling of the dividend."

For further information please contact:

Martin Long, Group Chief Executive
Lisa Morgan, Deputy Chief Executive
The GAME Group

Tel: 01344 464085

Nic Bennett/Ben Foster/Charlie Armitstead
Financial Dynamics

Tel: 020 7831 3113

CHAIRMAN'S REPORT TO THE OWNERS

Results

Group turnover increased by 8.3% to £606.7 million (£560.1 million). Like-for-like sales increased by 2%. Gross profit margin increased from 28.1% to 28.8%, as a result of greater efficiency within the business as well as a greater share of higher-margin software sales within the mix.

Profit before tax, goodwill amortisation and exceptional charges also increased, by 4.5% to £34.7 million (£33.2 million). Earnings per share before goodwill amortisation and exceptional charges are 6.63p. (6.00p). The compound annual growth of this adjusted EPS over the past 4 years is 46%. Profit before tax was £18.3 million (£27.2 million). Basic earnings per share were 2.95p (4.40p).

Exceptional charges of £10.4m (£0.1m) in the year related to the EBI settlement, closure of the loss making on-line gaming business and the relocation costs associated with the new Head Office and Distribution Centre in Basingstoke. The principal element of this charge related to the settlement with a one off payment of £8.3m for the services agreement with EBI which was due to continue until January 2006 and under which £25.4m had already been paid by GAME. The group will benefit from an annual cost saving of around £5m per annum and the Board consider that the termination is earnings enhancing.

Your Board is proposing a substantial increase in the final dividend of 173% to 1.5p (0.55p) making a total for the year of 2p (1p). The Board anticipates a progressive policy and subject to investment requirements future dividend cover (excluding goodwill amortisation) will be in the range of 3.0 times to 4.0 times.

Share Buyback programme

The Share Buyback programme which commenced on 28th January 2003 was continued and during the year 30.2 million shares were purchased for cancellation at an average price of 54.75p per share. In total the Group has returned £16.84 million to shareholders since the commencement of this Buyback Programme.

Directors

On 31 January 2004, John Steinbrecher, formerly Group Chief Executive, retired from the Board. As previously announced Martin Long, 37, was promoted to Group Chief Executive with Lisa Morgan, 33, promoted to Deputy Chief Executive.

In addition, David Thomas, 41, joined the Board as Group Finance Director on 15 March 2004. He was Finance Director for Millennium & Copthorne Hotels Group Plc and prior to that held senior financial positions with House of Fraser plc and Forte plc.

On 14 November 2003 Jean-Paul Giraud, 58, was appointed a Non-Executive Director. Until the summer of 2003 he was Chairman and Chief Executive of FNAC, the largest specialist retailer of its kind in Europe with sales of €3.5 billion in six European countries, South America and the Far East. We welcome to our counsels a notable international business leader who will add invaluable experience to our drive to grow our international activities.

Staff

Our most important assets go home every night! The enthusiasm and commitment of our people is one of our great strengths. I should like to extend my personal thanks to everyone in the business for their efforts during the year.

Current & Future Trading

In line with the wider video games market, our plans anticipate a reduction in sales in the early part of the year, given the strong comparable period last year which saw events such as the launch of Gameboy Advance SP. In the first 11 weeks to 17 April total Group Sales are down by 4% and like for like sales are down by 9%. The sales mix has resulted in a slight improvement in the achieved gross margin percentage. This performance is consistent with our expectations and we remain on plan for the year.

We do not expect the market to be easy in 2004. However, the combination of our inherent operational expertise, market leading position, and store opening programme (21 new stores have opened already this year) will produce another successful year where we aim to outperform the market again.

The Group prospects in the medium term when new generation products come to market, are particularly exciting.

Peter Lewis
Chairman

CHIEF EXECUTIVES REVIEW

Our performance in the year to 31 January 2004 reflects another strong year for the Group with our results showing increases in market share, turnover, gross margins and profits.

As usual the year's performance was dominated by Christmas trading. During the crucial five week trading period ending 3 January 2004 like for like and total sales rose 5.6% and 9% respectively.

This performance has been delivered against the backdrop of a slowing growth rate in the video games market and highlights not only the resilience of our business, but also our ability to outperform the market as we once again saw market share gains in our core UK market.

The United Kingdom Video Games Market

In calendar year 2003 the UK Games Market had a total value of £2.04 billion. The brands within the industry are now household names, whether it be Nintendo with the Gameboy or Gamecube, Microsoft with the Xbox, or the market leader Sony with the PlayStation 2. Video games are part of mainstream entertainment and demand continues to outstrip video rental and cinema.

The market has grown from £500m in 1995 to the £2bn market that we enjoy today, albeit that calendar year 2003 saw a slight decline of 1.5% from 2002. Last year saw sales of current generation hardware formats (Gameboy Advance SP, Gamecube, PS2 and Xbox) in the UK continue at similar levels to 2002 and an installed base increase of over 60% to reach 10 million units in the home. Manufacturer driven price drops resulted in a decline in the value of the market for hardware sales of 15% to £486m. However, the ever increasing installed base fuelled a 15% increase in unit sales of software, and by value an increase of 7% to £1.26bn.

This changing shape of the market in 2003 which was a worldwide feature, is expected to continue. We are now in a phase of development which continues to see rapid penetration of hardware consoles into the home, often driven by reducing manufacturer price points. This provides the foundation of demand for more profitable software sales – a fundamental feature of the video games market and our own business model.

Market positioning

GAME is the European market leader and continues to perform exceptionally well in this market place. Total sales have increased, like for like sales have increased and market share has improved on all major product categories.

Over the years we have built up a strong market position in hardware sales. However our strength has always been our ability to sell software and other add on products as we continue to drive our unique consumer proposition. Our strategy is built on these core areas:

- A dedication to delivering the highest levels of customer service, allowing us to continuously maintain and grow a loyal customer base by offering them expert service and an unrivalled product range at the best prices.
- Our Reward Card programme has 4.7 million members in the UK alone and we continue to develop the programme with a focus on customer service and profitability.
- The successful implementation of new innovations, such as online retailing and the pre-owned programme, in order to maximise the benefits of our market leading position;

- A permanent focus on the sales mix and margin to ensure that our operational success is converted into cash profit.
- Leveraging the expertise gained in the UK market by building a presence in continental Europe to provide us with further scope for growth in the medium term.

I am pleased to say that during the year we have continued to deliver against all of these objectives.

Store portfolio

In the year The GAME Group has strengthened its position as the European market leader. There were 24 net store openings in the UK and 18 in our European markets of France, Spain and Sweden.

As at 31 January	<u>2004</u>	<u>2003</u>
	Number	Number
Company owned and concessions		
UK and Ireland	359	335
Continental Europe	132	114
Franchises		
Europe	<u>57</u>	<u>58</u>
Total outlets	<u>548</u>	<u>507</u>

United Kingdom and Ireland

In 2003 we continued to outperform the market with sales in excess of £500m for the first time in our history and our results were achieved against a background of increased competition, lower retail prices and a consequent small reduction in total market size. In the UK we outperformed the market, increasing our market share by more than 1%.

One factor of our business today which cannot be underestimated is its scale. In 2002 we re-branded to the single identity of GAME. In 2003 we benefited from the consumer awareness which comes from promoting a brand which has over 350 stores – a sizeable number compared to many retailers.

Last year saw renewed vigour in our consumer offer as we executed a strategy to deliver a clear consumer offer demonstrating both range and value as a proposition and at the same time broadening our mass market appeal through in-store experience, product offering and promotions, all the time focusing on our strengths and specialist selling proposition.

As we drive to build a 400 strong chain for Christmas 2004, we will continue to reinvigorate the consumer offer which we delivered in 2003, and will also look to create cost and business efficiencies, a major feature of our investment in automation in our new Distribution Centre in Basingstoke. This phased move will be completed through the summer and will see a step change in both the level of automation but also a vast increase in capacity for our business.

Continental Europe

Our businesses in Europe continued their improvement and now represent some 16% of Group Turnover. We have created well structured operations in each territory but they do not yet enjoy the scale which we have established in the UK and the benefits which are associated therewith.

The Scandinavian market shows similar characteristics to the UK market as the majority of the products sold in this market are indeed the same products which we see on our shelves in the UK. 2003 saw us add 9 stores and we expect to increase our opening plans in 2004. We have already added 2 new stores in Denmark this year. The region continues to operate profitably. We will be looking to further strengthen our business and management team in this market during the current year.

Our business in Spain has seen much progress over the last 12 months where we added 7 stores. Just as the market saw strong growth, this is an area where we saw sales growth ahead of our other territories as we continue to expand and to refine the retail operation. We now have 40 stores and 57 franchises. The business continues to be profitable and whilst we grow our own store business, we are pleased that the franchise concept remains successful. We have been encouraged by the trading performance. There is a very good foundation for future organic growth.

In France we have made significant progress in 2003 with continued investment in the infrastructure of the business to ensure that we have solid foundations to build upon. We remodelled 25 stores to a format consistent with our UK stores, We made key new local management appointments ensuring that we now have an established management team, and a complete replacement of the IT infrastructure both centrally and at store level enabling us successfully to launch a GAME Reward card in the run up to Christmas. France is a key market for video games in Europe. To date our performance in France has been below our expectations but we recognise that with 58 stores the business does not have the critical mass to generate significant returns. This critical mass will take time to establish and in 2004 we will pursue store openings and review acquisition opportunities.

Game.net

In January 2004, as previously announced, the on-line gaming division was closed after a management review determined that it was not likely to make a satisfactory return on capital employed. One-off closure costs of £226,000 are part of exceptional charges for the year ended 31 January 2004.

Our online efforts for e-commerce through our website GAME.net have been increased and whilst this is a small area of our business, our year on year sales increase of over 50% was very encouraging.

Capital Expenditure

Capital expenditure was £30.4m (£22.3m). The Group has made an investment of £17.5m in respect of the purchase of land at Basingstoke and construction costs to date. This project is nearing completion and we expect to take occupation of our new premises at the end of May. Notwithstanding these unusually high capital costs net cash flow from operating activities was £36.1m (£37.4m) and net cash in hand (excluding long term debt for the Basingstoke freehold property) amounted to £25.5m (£36.5m).

The future

The GAME Group has established a reputation as a specialist retailer that outperforms the market. It is anticipated that unit volumes for hardware, software and peripherals will increase in 2004 although we expect a continued pricing reduction within the market and therefore values will be down against 2003.

We understand the dynamics of the market. We will continue to drive our performance through new store openings and sales mix changes that will enhance our overall margin and enable us to meet our expectations for the year.

In the United Kingdom we aim to add up to 50 stores which will see us trading from over 400 stores by the key Christmas trading period. We will drive margin improvement through the increased sale of software, pre-owned and peripherals and will also benefit from the saving derived from the early settlement of the EBI agreement.

Our Continental European business is at a relatively early stage of development. In each region we have now established the management and logistics infrastructure. We will now focus on driving organic growth through store openings. We will open in new countries such as Denmark where we opened two stores in the first quarter of 2004 and we will continue to review suitable acquisition opportunities.

Overall our business is fundamentally strong and our expansion strategy through 2004 and beyond will ensure that GAME is well placed to benefit from the increased demand for video games software in the near term. GAME will also be in a strong position to benefit from the ever increasing growth in the installed base of current generation consoles.

In the medium to long term we are confident the market will grow due to impending technologies such as the handheld PSP from Sony which sees its launch in Japan later this year and in Europe in 2005, as well as the inevitable launch of Xbox 2 from Microsoft and the PlayStation 3 from Sony thereafter.

Martin Long
Group Chief Executive

NB All market data sourced from ChartTrack

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Unaudited consolidated profit and loss account for the year ended 31 January 2004

	Note	Unaudited 2004 £'000	Audited 2003 £'000
Turnover	1	606,660	560,065
Cost of sales		432,004	402,910
Gross profit		174,656	157,155
Other operating expenses	2	156,848	130,786
Operating profit before goodwill amortisation and exceptional costs		34,187	32,395
Goodwill amortisation		(5,962)	(5,923)
Exceptional costs	3	(10,417)	(103)
Operating profit		17,808	26,369
Interest receivable and similar income		764	1,052
Interest payable and similar charges		(264)	(256)
Profit on ordinary activities before taxation		18,308	27,165
Taxation	5	7,671	10,608
Profit on ordinary activities after taxation		10,637	16,557
Dividends	6	6,991	3,758
Retained profit for the financial year		3,646	12,799
Earnings per share			
- basic	7	2.95p	4.40p
- diluted	7	2.94p	4.36p
Earnings per share before amortisation of goodwill and exceptional costs :			
- basic	7	6.63p	6.00p
- diluted	7	6.61p	5.93p
Number of own stores trading (including concessions)			
At beginning of year		449	389
At end of year		491	449

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Unaudited consolidated balance sheet at 31 January 2004

	Note	Unaudited 2004 £'000	Audited 2003 £'000
Fixed assets			
Intangible assets	8	86,659	92,160
Tangible assets	9	45,665	41,742
Assets under construction	10	17,482	-
		<hr/>	<hr/>
		149,806	133,902
Current assets			
Stocks		58,279	38,205
Debtors	11	19,475	17,523
Cash at bank and in hand		28,359	37,972
		<hr/>	<hr/>
		106,113	93,700
Creditors: amounts falling due within one year	12	97,371	71,923
		<hr/>	<hr/>
Net current assets		8,742	21,777
		<hr/>	<hr/>
Total assets less current liabilities		158,548	155,679
Creditors: amounts falling due after more than one year	13	15,163	1,361
Accruals and deferred income			
Leasehold property incentives		2,005	1,733
		<hr/>	<hr/>
Net assets		141,380	152,585
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital		17,336	18,772
Share premium account		39,198	38,513
Capital redemption reserve		1,560	50
Other reserves		76,907	76,907
Profit and loss account		6,379	18,343
		<hr/>	<hr/>
Equity shareholders' funds	14	141,380	152,585
		<hr/> <hr/>	<hr/> <hr/>

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Unaudited consolidated cash flow statement for the year ended 31 January 2004

	Note	Unaudited 2004 £'000	Audited 2003 £'000
Net cash inflow from operating activities		36,121	37,366
Returns on investments and servicing of finance	15	169	796
Taxation		(9,918)	(10,648)
Capital expenditure	15	(30,364)	(22,263)
Acquisitions	15	(563)	(569)
Equity dividends paid		(3,855)	(3,175)
		<hr/>	<hr/>
Net cash (outflow) / inflow before financing		(8,410)	1,507
Financing	15	(1,060)	(7)
		<hr/>	<hr/>
(Decrease) / increase in cash in the year		(9,470)	1,500
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		17,808	26,369
Depreciation		10,170	7,862
Amortisation of intangible assets		5,962	5,923
Loss on disposal of tangible fixed assets		125	184
Increase in stocks		(19,944)	(806)
Increase in debtors		(2,890)	(1,995)
Decrease/ (increase) in creditors		24,618	(755)
Increase in leasehold property incentives		272	584
		<hr/>	<hr/>
		36,121	37,366
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
(Decrease) / increase in cash in the year		(9,470)	1,500
Cash (inflow) / outflow from (increase) / decrease in net debt and lease financing		(14,714)	1,239
		<hr/>	<hr/>
Change in net funds resulting from cash flows		(24,184)	2,739
New finance leases		(331)	(339)
Deferred consideration on acquisitions		(228)	3,500
Translation differences		(68)	(75)
		<hr/>	<hr/>
Movement in net funds in year		(24,811)	5,825
Net funds at beginning of year		34,783	28,958
		<hr/>	<hr/>
Net funds at end of year		9,972	34,783
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Notes to the preliminary announcement for the year ended 31 January 2004

1 Turnover, profit and net assets

Turnover, pre-tax profits and net assets all relate to computer software and video game retailing.

	Turnover		Operating profit		Net assets	
	Unaudited 2004 £'000	Audited 2003 £'000	Unaudited 2004 £'000	Audited 2003 £'000	Unaudited 2004 £'000	Audited 2003 £'000
By geographical area:						
United Kingdom and Eire	512,473	492,718	19,017	27,666	112,221	128,054
Rest of Europe	94,187	67,347	(1,209)	(1,297)	29,159	24,531
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	606,660	560,065	17,808	26,369	141,380	152,585
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Operating profit is stated after charging goodwill amortisation.

Turnover by origin and destination are not materially different.

2 Other operating expenses

	Unaudited 2004 £'000	Audited 2003 £'000
Selling and distribution	114,616	100,974
Administrative expenses	42,232	29,812
	<hr/>	<hr/>
	156,848	130,786
	<hr/> <hr/>	<hr/> <hr/>

Administrative expenses include goodwill amortisation of £5,962,000 (2003: £5,923,000), and exceptional costs of £10,417,000 (2003: £103,000).

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Notes to the preliminary announcement for the year ended 31 January 2004

3 Exceptional costs

The exceptional charge in the year reflects the effect of the following actions:

- In January 2004 the Group agreed terms with Electronics Boutique of the USA (EBI) to terminate the 1995 Services Agreement between the two companies resulting in a one off payment to EBI;
- During the year the Group commenced the construction of a new UK Distribution and Head Office facility which will be completed during the year ending 31 January 2005; and
- In January 2004 the Group announced the closure of its on-line gaming division.

The exceptional charge is made up as follows:

	Unaudited 2004 £'000	Audited 2003 £'000
Termination of EBI services agreement	8,275	-
Distribution Centre and Head Office relocation	1,959	-
Closure of on-line gaming division	226	-
Re-branding of UK operations	(43)	103
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	10,417	103
	<hr/> <hr/>	<hr/> <hr/>

4 Employees

Staff costs for all employees (including Directors) consist of:

	Unaudited 2004 £'000	Audited 2003 £'000
Wages and salaries	45,564	38,372
Social security costs	5,718	4,115
Other pensions costs	386	309
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	51,668	42,796
	<hr/> <hr/>	<hr/> <hr/>

The average number of employees of the Group during the year, including Directors, was as follows:

	Unaudited 2004 Number	Audited 2003 Number
Selling and distribution	3,795	3,633
Administration	419	411
	<hr/>	<hr/>
	4,214	4,044
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the preliminary announcement for the year ended 31 January 2004

5 Taxation

Analysis of charge in the year

	Unaudited 2004 £'000	Audited 2003 £'000
<i>Current year:</i>		
UK Corporation tax	6,980	10,278
Adjustments in respect of prior periods	(122)	(23)
Overseas tax payable	12	26
	<hr/>	<hr/>
Total current tax	6,870	10,281
<i>Deferred tax:</i>		
Origination and reversal of timing differences	801	327
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Taxation on profit on ordinary activities	7,671	10,608
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6 Dividends

	Unaudited 2004 Pence per share	Unaudited 2004 £'000	Audited 2003 Pence per share	Audited 2003 £'000
Interim paid	0.50	1,790	0.45	1,693
Final proposed	1.50	5,201	0.55	2,065
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	2.00	6,991	1.00	3,758
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It is proposed that the final dividend will be paid on 16 July 2004 to shareholders on the register on 25 June 2004.

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Notes to the preliminary announcement for the year ended 31 January 2004

7 Earnings per share

The calculation of earnings per share for the year ended 31 January 2004 is based on the profit after taxation of £10,637,000 (2003: £16,557,000). The calculation of basic earnings per share and diluted earnings per share is based on a weighted average number of 360,539,590 (2003: 376,009,811) shares in issue during the year. The number of shares used in these calculations and the reconciliation of denominators used for basic and diluted earnings per share calculations is set out in the table below:

	Basic	Effect of share options	Diluted
Year ended 31 January 2004	360,539,590	1,081,655	361,621,245
Year ended 31 January 2003	376,009,811	4,164,972	380,174,783

Additional disclosure has been provided in respect of earnings per share before amortisation of goodwill and exceptional costs as the Directors believe this gives a better view of ongoing maintainable earnings.

	2004 Pence	2003 Pence
Basic earnings per share	2.95	4.40
Amortisation of goodwill	1.66	1.58
Exceptional costs	2.02	0.02
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Adjusted basic earnings per share before amortisation of goodwill and exceptional costs	6.63	6.00
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Notes to the preliminary announcement for the year ended 31 January 2004

8 Intangible assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 February 2003	112,752
Additions	408
Closure of on-line gaming division	(331)
Exchange adjustment	60
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At 31 January 2004	112,889
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<i>Amortisation</i>	
At 1 February 2003	20,592
Amortisation charge for the year	5,962
Closure of on-line gaming division	(331)
Exchange adjustment	7
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At 31 January 2004	26,230
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<i>Net book value</i>	
At 31 January 2004	86,659
	<hr/> <hr/>
At 31 January 2003	92,160
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Notes to the preliminary announcement for the year ended 31 January 2004

9 Tangible fixed assets

	Land and property £'000	Improvements to leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>				
At 1 February 2003	13,301	23,435	37,051	73,787
Additions	1,215	5,949	7,530	14,694
Acquisitions	-	21	4	25
Disposals	(745)	(1,858)	(3,506)	(6,109)
Exchange adjustment	294	295	237	826
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2004	14,065	27,842	41,316	83,223
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>				
At 1 February 2003	2,817	9,262	19,966	32,045
Charge for the year	696	2,857	6,617	10,170
Disposals	(257)	(1,492)	(3,085)	(4,834)
Exchange adjustment	17	70	90	177
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2004	3,273	10,697	23,588	37,558
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<i>Net book value</i>				
At 31 January 2004	10,792	17,145	17,728	45,665
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At 31 January 2003	10,484	14,173	17,085	41,742
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10 Assets under construction

Assets under construction comprises the purchase of land at Basingstoke and construction costs to date, in relation to the new Distribution facility and Head Office, which is expected to be completed during the summer of 2004.

THE GAME GROUP PLC**Notes to the preliminary announcement for the year ended 31 January 2004****11 Debtors**

	Unaudited 2004 £'000	Audited 2003 £'000
Amounts falling due within one year:		
Trade debtors	8,345	4,224
Other debtors	1,229	2,221
VAT	546	672
Corporation tax	-	137
Deferred tax asset	354	1,155
Prepayments and accrued income	9,001	9,114
	<hr/>	<hr/>
	19,475	17,523
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12 Creditors: amounts falling due within one year

	Unaudited 2004 £'000	Audited 2003 £'000
Bank loan	2,411	936
Bank overdraft	444	587
Trade creditors	46,020	32,396
Other creditors	1,296	746
Tax and social security costs	1,986	1,905
VAT payable	10,478	13,963
Dividends payable	5,201	2,065
Corporation tax	1,900	5,085
Obligations under finance leases and hire purchase contracts	369	533
Accruals and deferred income	27,266	13,707
	<hr/>	<hr/>
	97,371	71,923
	<hr/> <hr/>	<hr/> <hr/>

13 Creditors: amounts falling due after more than one year

	Unaudited 2004 £'000	Audited 2003 £'000
Bank loan	14,448	-
Other loans	495	991
Obligations under finance leases and hire purchase contracts	220	370
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	15,163	1,361
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THE GAME GROUP PLC**Notes to the preliminary announcement for the year ended 31 January 2004**

14 Reconciliation of movements in equity shareholders' funds

	Unaudited 2004 £'000	Audited 2003 £'000
Profit on ordinary activities after taxation	10,637	16,557
Dividends payable	(6,991)	(3,758)
Issue of shares during the year	759	1,542
Shares to be issued	-	(11,232)
Purchase of own shares	(16,533)	(310)
Translation differences on foreign currency net investments in subsidiary undertakings	923	884
	<hr/>	<hr/>
Net (deductions)/additions to equity shareholders' funds	(11,205)	3,683
Equity shareholders' funds at beginning of year	152,585	148,902
	<hr/>	<hr/>
Equity shareholders' funds at end of year	141,380	152,585
	<hr/> <hr/>	<hr/> <hr/>

THE GAME GROUP PLC**Notes to the preliminary announcement for the year ended 31 January 2004**

15 Analysis of cash flows for headings netted in the cash flow statement

	Unaudited 2004 £'000	Audited 2003 £'000
Returns on investments and servicing of finance		
Interest received	764	1,052
Interest paid	(542)	(202)
Interest element of finance leases and hire purchase contracts	(53)	(54)
	-----	-----
Net cash inflow from returns on investments and servicing of finance	169	796
	-----	-----
Capital expenditure		
Purchase of fixed assets	(31,514)	(22,455)
Sale of tangible fixed assets	1,150	192
	-----	-----
Net cash outflow from capital expenditure	(30,364)	(22,263)
	-----	-----
Acquisitions		
Purchase of subsidiary undertakings	(563)	(569)
	-----	-----
Net cash outflow from acquisitions	(563)	(569)
	-----	-----
Financing		
Issue of ordinary share capital	759	1,542
Share buyback	(16,533)	(310)
Long term loans received	17,446	-
Long term loans repaid	(1,744)	-
Short term loans repaid	(343)	(552)
Capital element of finance leases and hire purchase contracts	(645)	(687)
	-----	-----
Net cash outflow from financing	(1,060)	(7)
	=====	=====

THE GAME GROUP PLC

Notes to the preliminary announcement for the year ended 31 January 2004

16 Share buy backs

During the year, 30,200,000 ordinary shares were repurchased by the company at a cost of £16,533,255.

- 17 The accounting reference date of the Group is 31 January. The comparative year's results are for the 53 week period ended 1 February 2003. The current year's results are for the 52 week period ended 31 January 2004.
- 18 The results and summary balance sheet incorporates the unaudited results of THE GAME GROUP PLC and all its subsidiaries made up to 31 January 2004 and have been prepared on a basis consistent with the audited financial statements for the year ended 31 January 2003.
- 19 The results for the year ended 31 January 2003 have been extracted from the audited financial statements for that year which have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985.
- 20 The financial information contained in this preliminary announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.
- 21 The Report and Accounts will be posted to shareholders at least 21 days before the Annual General Meeting and copies will be available from the Company Secretary at Charter Court, Third Avenue, Southampton, SO15 0AP.