



25 September 2007

THE GAME GROUP PLC, Europe's leading retailer of PC and video games products, today announces interim results for the six months ended 31 July 2007.

Interim Results for the six months ended 31 July 2007

Highlights

All figures in £'m	Six months ended 31/7/07	Six months ended 31/7/06
Group Turnover	482.4	272.9
Gross profit margin (%)	25.8	28.3
Operating Profit/(Loss) before non-recurring costs	6.2	(5.6)
Non-recurring costs	1.4	-
Profit/(Loss) before tax	1.3	(7.1)
Basic Earnings/(Loss) per share before non-recurring costs (pence)	0.67	(1.46)
Basic Earnings/(Loss) per share (pence)	0.27	(1.46)
Interim dividend per share (pence)	1.43	1.27

Key points

- Profit of £2.7m before non-recurring costs and tax (2006: loss of £7.1m)
- Strong sales performance with total sales growth (including Gamestation) of 76.8% and like for likes ('lfl') sales ahead by 45.6 % (excluding Gamestation)
- Very strong international performance with sales up 75.2% and 'lfl' sales up 39.5%
- Acquisition of Gamestation business for an initial purchase price of £74m with 217 stores in the UK
- Successful launch of the much anticipated Playstation 3
- Store portfolio will be over 1,120, including Gamestation, by the key Christmas trading season compared with 825 at the same time last year
- Current trading for the 8 weeks to 22 September is encouraging, with total sales increase of 101.3% and lfl increase of 44.9%, despite a strong comparative period which included the launch of Nintendo DS Lite

Peter Lewis, Chairman, said:

"The strong performance reported today is a result of our hard work in getting GAME properly positioned ahead of the new technology cycle. We will continue to innovate and broaden our offer in an increasingly competitive retail environment.

We have a fast growing international business and are well placed for further organic growth. We look forward to the key Christmas trading period when our store portfolio will exceed 1,120 across the UK, Continental Europe and Australia."

In light of the Competition Commission merger inquiry and the significance of the key Christmas trading period, the Group will issue a pre-close update at the beginning of December and a Christmas trading statement on 12 January 2008.

CHAIRMAN'S REPORT

Results

The market for the retail of PC and video games products¹ is very strong, driven by the current console technology cycle, and all participants are seeing good sales growth. We have worked hard over the last few years to position GAME ahead of this new technology cycle by emphasising our specialist credentials including our breadth of range; in store services; and loyalty card with millions of members.

The strong performance has helped to deliver a first half operating profit before interest and non-recurring costs of £6.2m compared to a loss of £5.6m for the equivalent period last year.

Group turnover for the six months ended 31 July 2007 grew from £272.9m to £482.4m, driven by strong expansion across all key markets and the acquisition of Gamestation in the UK. New technology launches and associated software sales drove an increase in like for like ('lfl') sales of 45.6%. As expected, gross margins decreased by 250 basis points compared to last year primarily as a result of increased hardware sales participation within the overall sales mix.

Earnings per share before non-recurring costs was 0.67p (loss: 1.46p), with profit before non recurring costs and tax of £2.7m (2006: loss £7.1m). Profit before tax was £1.3m (loss: £7.1m), after £1.4m of non-recurring costs relating to the acquisition of Gamestation. Basic earnings per share was 0.27p (loss: 1.46p).

Your Board is declaring an interim dividend of 1.43p per share, an increase of 12.5%.

Business development

Our market position

With the launch over the past two years of the major new hardware platforms, general market conditions have been very good. GAME has benefited from this as a result of the work undertaken across the business to position our offer and store portfolio for these launches. The most recent phase of the transition to new technologies came with the very successful launch of the Sony Playstation 3 in March 2007. However, this is in the context of an increasingly competitive UK environment with many retailers adding space to PC and video games products and strong competition from the on-line retailers.

The Group is now well positioned in five key international territories – UK and Ireland, France, Spain and Portugal, Scandinavia and Australia with 1,084 outlets trading at 31 July 2007.

Our aim is to target the Group's resources towards those markets with the strongest return characteristics and where we believe our expertise can deliver real improvements in performance. We are continuing to build the Group's online capability in tandem with the growth of the store portfolio.

Gamestation

Our business development plan has continued with the acquisition of Gamestation² on 2 May 2007, a UK specialist retailer of PC and video games products employing over 1,800 staff in 217 stores. Gamestation appeals to the core gamer and is complementary to GAME's broader mass market offer. In the financial year ended 31 December 2006, Gamestation reported revenues of £203.5m, EBITDA of £6.5m and profit before tax of £2.1m for its business, excluding concessions.

The initial cash consideration of £74.0m on a debt, cash and tax free basis including estimated working capital of £7.5m, and a post-completion payment of £5.8m, to reflect cash (£4.3m) and other working capital, were funded from new debt facilities.

¹ Products include console hardware, handheld hardware, PC software, PC accessories, video game software, video game peripherals and accessories.

² Excluding concessions

The enlarged Group will continue to operate both the GAME and Gamestation formats, using its knowledge of the customer base currently served by each brand. There are expected to be good opportunities to improve the efficiency of the acquired operations through integration with the existing back office infrastructure and facilities of the GAME Group. In particular, Gamestation's supply chain and certain business support functions will in the future be fully integrated into GAME's existing operations.

As previously announced, the Board anticipates realising pre-tax synergies of approximately £7m per annum by the second full year following completion.

There will be a non-recurring charge of approximately £5m related to integrating the acquisition, of which £3.5m is expected to be incurred in the year ending 31 January 2008 and the balance in the following year. Of these costs £0.8m has been incurred in the period from 2 May to 31 July 2007. There will be capital expenditure incurred on the integration of around £3m in improving the Gamestation infrastructure.

The Office of Fair Trading reviewed our acquisition of Gamestation and, on 9 August 2007, decided to refer the acquisition to the Competition Commission. Their inquiry commenced on that day and is expected to be completed by the end of January 2008. In the interim, Gamestation will operate under 'hold separate' undertakings that GAME has agreed with the Competition Commission. The costs of the Group complying with the requirements of this review have been £0.6m to date and are anticipated to be around £4.5m in total which will be non-recurring and in addition to the non-recurring integration costs of £5m referred to above.

Business overview

Store portfolio

During the period the Group has opened or acquired 286 stores, including 217 through the Gamestation acquisition, and closed 8 stores as part of our ongoing portfolio management. We have bought in five and closed one of our franchise stores in Spain, closed four of the franchises in France, and closed one franchise in Australia.

As at 31 January	31 July 2007	31 July 2006	31 January 2007
	Number	Number	Number
<i>Company owned and concessions</i>			
UK and Ireland			
- GAME	410	408	407
- Gamestation	223	-	-
<i>Total UK and Ireland</i>	633	408	407
France	161	95	130
Iberia	183	129	165
Scandinavia	61	54	64
<i>Total Continental Europe</i>	405	278	359
Australia	22	-	16
<i>Total International</i>	427	278	375
<i>Total owned and concessions</i>	1,060	686	782
<i>Franchises</i>			
France	7	11	11
Iberia	12	24	18

Australia	5	-	6
<i>Total franchises</i>	24	35	35
Total operational outlets	1,084	721	817

We aim to have 410 GAME and 235 Gamestation stores in UK and Ireland, as well as 440 stores and 10 franchises in Continental Europe, ahead of the key Christmas trading period. In Australia we expect to have 40 owned stores and 5 franchises. We anticipate that our total capital expenditure for the year on store openings, refurbishment and information technology requirements, including our internet development, will be around £34m, excluding acquisitions but including £2m for Gamestation new stores.

UK and Ireland

Total revenues from the UK and Ireland in the period were £351.5m, up from £198.1m last year, a 77.4% increase. Like for like sales increased by 47.8%

Our stores in the UK and Ireland have performed well. We have continued to develop our consumer appeal through a high standard of customer service, a uniquely broad product range and strong value for money offers.

International

Total revenues from International of £130.9m (£74.7m) represented 27.1% of Group revenues for the period compared with 27.4% in the prior year. Total sales for International increased by 75.2%, with a 39.5% increase in the lfl sales.

In France our total revenues increased by 56.2% to £47.8m. Our business in France has performed well in the period. France is traditionally a very strong market for Nintendo, which has been reflected in its sales of the Wii and DS Lite. In November 2006, we acquired 50 stores from the administrator of Maxi-Livres, a book retail company. This improved the geographic spread of our portfolio and increased our store numbers by around 50% and our retail space by around 35%. These new stores were relaunched as GAME stores in the period from January to April 2007 and the early trading has been encouraging. This year we expect to open 15 stores in France in addition to the Maxi-Livres purchase.

In Spain and Portugal our total revenues increased by 81.0% to £60.8m. This year we became the overall leading retailer of PC and video games products in Spain. The operational performance of the business is excellent. This year we plan to open around 50 stores in Spain and Portugal together.

In Scandinavia our total revenues grew by 55.9% to £16.5m. We are very pleased with the improvement in trading in this region. The operational performance in Denmark and Sweden has improved considerably and the business that we acquired in October 2006 in Norway has performed well.

In Australia our total revenues were £5.9m. We acquired the business in September 2006 and to date we have achieved excellent progress: relocated the Head Office and Distribution Centre; re-branded 16 stores to GAME; and commenced store openings with up to 24 stores opening this year.

We remain very pleased with the way our international businesses are continuing to develop and contribute to the Group.

Online retailing and digital distribution

Both online retailing and digital distribution are increasing their share of the total PC and video games retail market as existing and new retailers build their presence online. Online has continued to grow as a contributor to GAME sales and represents a significant opportunity for future growth.

We will be maintaining focus on this area of our business to ensure that we are well positioned both in terms of online retailing and digital distribution.

Treasury

Our net debt as at 31 July 2007 was £127.5m (31 July 2006 - £55.2m) (31 January 2007 - £0.6m net cash), the increase being driven largely by the acquisition of Gamestation.

In the year average net debt is anticipated to be around £92m (£37m). The Board is committed to an efficient capital structure and continues to review dividend policy along with the organic or acquisitive growth of the store portfolio.

Staff and Management

Our staff and management have worked very hard to ensure that the Group optimises this buoyant period in the market. I would like to thank them all.

Current trading and future prospects

This first half has been a good start to the year. We have a strong, geographically diverse store portfolio well positioned to meet customer demand for a broad range of PC and video games products.

In the 8 weeks to 22 September total Group sales were up by 101.3% with the UK and Ireland and International up by 109.2% and 79.1% respectively. For the same period Group lfl sales were up by 44.9%, with the UK and Ireland lfl sales up by 47.8% and International lfl sales up by 36.9%.

As we said in July, the higher volumes of new generation platforms will increase hardware participation in the sales mix for the year to January 2008. The substantially lower margins achieved on hardware compared to software will reduce gross margins. The acquisition of Gamestation will also impact margins, as Gamestation has traditionally operated on lower margins than GAME. Taken together, the Board anticipates that gross margin for the full year will be around 250 basis points lower than last year.

We look forward with confidence to the key Christmas trading period when our store portfolio will exceed 1,120 across the UK, Europe and Australia.

Peter Lewis

Chairman

25 September 2007

GAME Group Plc
Unaudited Condensed Consolidated Income Statement
for the six months ended 31 July 2007

	Notes	Six months ended 31 July 2007 Unaudited	Six months ended 31 July 2006 Unaudited	Year ended 31 January 2007 Audited
		£'000	£'000	£'000
Revenue	2	482,363	272,877	801,306
Cost of sales		<u>357,895</u>	<u>195,541</u>	<u>583,563</u>
Gross profit		124,468	77,336	217,743
Other operating expenses	3	<u>119,634</u>	<u>82,911</u>	<u>184,778</u>
Operating profit/(loss) before non-recurring costs		6,198	(5,600)	32,965
Non-recurring costs	3	<u>(1,364)</u>		-
Operating profit/(loss)		4,834	(5,600)	32,965
Finance income		330	247	247
Finance costs		<u>(3,805)</u>	<u>(1,500)</u>	<u>(3,719)</u>
Profit/(loss) before taxation		1,359	(7,113)	29,493
Taxation	4	<u>421</u>	<u>(2,200)</u>	<u>8,353</u>
Profit/(loss) for the period attributable to equity holders of the parent		938	(4,913)	21,140
Earnings/(loss) per share - basic	6	0.27p	(1.46p)	6.25p
- diluted	6	<u>0.27p</u>	<u>(1.46p)</u>	<u>6.20p</u>

GAME Group Plc
Unaudited Condensed Consolidated Balance Sheet
at 31 July 2007

	Notes	As at 31 July 2007 Unaudited £'000	As at 31 July 2006 Unaudited £'000	As at 31 January 2007 Audited £'000
Non current assets				
Intangible assets	7	166,286	96,932	101,522
Property, plant & equipment	8	114,035	89,780	100,995
Deferred tax asset		1,666	202	1,111
		<u>281,987</u>	<u>186,914</u>	<u>203,628</u>
Current assets				
Inventories		120,490	69,525	84,587
Trade and other receivables	9	45,614	35,718	28,258
Cash and cash equivalents		26,479	14,421	48,286
		<u>192,583</u>	<u>119,664</u>	<u>161,131</u>
Current liabilities				
Trade and other payables	10	153,964	95,210	150,095
Short term borrowings		5,081	34,359	15,359
Current portion of long term borrowings	11	67,855	7,684	4,477
Leasehold property incentives		735	561	592
Corporation tax liabilities		2,842	-	5,003
		<u>230,477</u>	<u>137,814</u>	<u>175,526</u>
Net current liabilities		<u>(37,894)</u>	<u>(18,150)</u>	<u>(14,395)</u>
Total assets less current liabilities		<u>244,093</u>	<u>168,764</u>	<u>189,233</u>
Non current liabilities				
Long term borrowings	11	81,087	27,614	27,827
Leasehold property incentives		5,978	3,299	4,070
Net assets		<u>157,028</u>	<u>137,851</u>	<u>157,336</u>
Equity attributable to equity holders of the parent				
Called up share capital		17,135	16,928	17,003
Share premium account		44,213	41,440	42,286
Capital redemption reserve		2,223	2,223	2,223
Shares held in trust		(1,176)	(963)	(1,176)
Merger reserve		76,907	76,907	76,907
Retained Earnings	13	19,737	274	23,852
Foreign exchange reserve		(2,011)	1,042	(3,759)
Shareholders' funds	14	<u>157,028</u>	<u>137,851</u>	<u>157,336</u>

Approved and authorised for issue by the Board on 25
September 2007
D Thomas
Director

GAME Group Plc
Unaudited Condensed Consolidated
Statement of Recognised Income & Expense
for the six months ended 31 July 2007

	Notes	Six months ended 31 July 2007 Unaudited £'000	Six months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Audited £'000
Exchange differences on translation of foreign currency				
net investments in subsidiary undertakings		1,748	1,230	(3,571)
Deferred income tax on share based payments		-	-	1,272
Total income and expense recognised directly in equity		1,748	1,230	(2,299)
Profit/(loss) on ordinary activities after taxation		938	(4,928)	21,140
Total recognised income and expense for the year		2,686	(3,698)	18,841

GAME Group Plc
Unaudited Condensed Consolidated Cash Flow
Statement
for the six months ended 31 July 2007

	Notes	Six months ended 31 July 2007 Unaudited £'000	Six months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Audited £'000
Cash flows from operating activities				
Operating profit/(loss)		4,834	(5,608)	32,965
Share based remuneration		583	678	1,202
Depreciation and amortisation		8,855	6,291	12,813
Loss on disposal of non current assets		611	14	728
Market value movement on financial instrument		102	-	183
		<u>14,985</u>	<u>1,375</u>	<u>47,891</u>
Increase in trade and other receivables		(12,542)	(13,665)	(11,514)
(Increase)/decrease in inventories		(4,010)	700	(13,139)
(Decrease)/increase in trade and other payables		(19,601)	(37,031)	20,257
(Decrease)/increase in leasehold incentives		(14)	76	101
Cash generated from operations		<u>(21,182)</u>	<u>(48,545)</u>	<u>43,596</u>
Finance costs paid		(3,804)	(1,099)	(3,719)
Corporation tax paid		<u>(2,582)</u>	<u>(1,423)</u>	<u>(5,002)</u>
Net cash from operating activities		<u>(27,568)</u>	<u>(51,067)</u>	<u>34,875</u>
Cash flows from investing activities				
Acquisitions	15	(80,314)	-	(9,000)
Purchase of property, plant & equipment		(14,579)	(5,708)	(20,431)
Purchase of intangible assets		(1,110)	(565)	(1,322)
Proceeds from sale of equipment		-	897	897
Finance income received		330	37	247
Net cash used in investing activities		<u>(95,673)</u>	<u>(5,339)</u>	<u>(29,609)</u>
Cash flows from financing activities				
Proceeds from issue of share capital		2,058	846	1,767
Proceeds from long term borrowing		52,173	2,394	9,881
Proceeds from short term borrowing		63,421	-	(12,673)
Payment of finance lease liabilities		(304)	(206)	(462)
Dividends paid		<u>(5,636)</u>	<u>(4,661)</u>	<u>(8,947)</u>
Net cash used in financing activities		<u>111,712</u>	<u>(1,627)</u>	<u>(10,434)</u>
Net decrease in cash and cash equivalents		(11,529)	(58,033)	(5,168)
Cash and cash equivalents at beginning of period		<u>32,927</u>	<u>38,095</u>	<u>38,095</u>
Cash and cash equivalents at end of period	12	<u>21,398</u>	<u>(19,938)</u>	<u>32,927</u>

Notes to the interim results

1 General

The Game Group plc is a company incorporated, domiciled and registered in England and Wales and is listed on the London Stock Exchange. The address of its registered office is Unity House, Telford Road, Basingstoke, RG21 6YJ.

Basis of preparation

The financial information presented in this interim report has been prepared in accordance with the accounting policies the Group expects to be applicable at 31 January 2008. The interim report has been prepared in accordance with those IFRS and IFRIC interpretations issued and effective as at the time of preparing the statement, and with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

Accounting policies

The accounting policies used in preparing the interim report are as set out in the statutory accounts to the year ended 31 January 2007. There have been no changes in accounting policies and accounting estimates.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 January 2008, but have no material impact on the Group:

- IFRIC 7, 'Applying the restatement approach under IAS 29', effective for annual periods beginning on or after 1 March 2006.
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006.
- IFRIC 10, 'Interim financial reporting and impairments', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the Group has already accounted for such amounts using principles consistent with IFRIC 10.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007.
- IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 January 2008 and have not been early adopted:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007.
- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008.
- IFRIC 13, 'Customer Loyalty Programmes' effective for annual periods beginning on or after 1 July 2008.
- IFRIC 14 IAS 19, 'The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction' effective for annual periods beginning on or after 1 January 2008.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement.

Notes to the interim results

2 Revenue and operating profit

	United Kingdom & Ireland 31 July 2007 £'000	Other 31 July 2007 £	United Kingdom & Ireland 31 July 2006 £'000	Other 31 July 2006 £	United Kingdom & Ireland 31 January 2007 £'000	Other 31 January 2007 £'000
Revenue	351,457	130	198,147	74	586,361	214,945
Cost of sales	259,229	98	140,216	55	423,845	159,715
Gross profit	92,228	32	57,931	19	162,516	55,230
Other operating expenses	84,276	33	61,413	21	135,682	49,092
Operating profit/(loss) before non-recurring costs	7,952	(1)	(3,482)	(2)	26,829	6,136
Non-recurring costs	1,364	-	-	-	-	-
Operating profit/(loss)	6,588	(1)	(3,482)	(2)	26,829	6,136

	Six months ended 31 July 2007 Unaudited £'000	Six months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Audited £'000
Turnover by territory			
United Kingdom and Ireland	351,457	198,147	586,361
France	47,793	30,594	81,204
Spain	60,773	33,570	97,744
Scandinavia	16,464	10,563	30,912
Australia	5,876	-	5,085
	482,363	272,874	801,306
Stores by territory			
United Kingdom and Ireland	633	408	407
France	161	95	130
Spain	183	129	165
Scandinavia	61	54	64
Australia	22	-	16
	1,060	686	782
Franchises			
France	7	11	11
Spain	12	24	18
Australia	5	-	6
	24	35	35
Trading square footage by territory			
United Kingdom and Ireland	729,655	513,585	512,435
France	154,867	104,982	131,219
Spain	153,079	92,084	141,809
Scandinavia	59,923	51,716	61,871
Australia	25,238	-	21,611
	1,122,762	762,367	868,945

Notes to the interim results

3 Other operating expenses

	Six months ended 31 July 2007 Unaudited £'000	Six months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Audited £'000
Selling and distribution	100,646	70,946	156,066
Administrative expenses	18,988	11,986	28,712
	<u>119,634</u>	<u>82,932</u>	<u>184,778</u>

In the current year administrative expenses include non-recurring costs of £1,364,000. Of these non-recurring costs, £748k was in relation to integration planning fees on the acquisition of Gamestation and £616k was incurred in dealing with the merger control investigation of the Gamestation acquisition by the Office of Fair Trading and subsequently by the Competition Commission (see Note 15).

4 Taxation

The UK corporation tax charge has been included at an underlying corporation tax rate in line with the previous year.

	Six months ended 31 July 2007 Unaudited £'000	Six months ended 31 July 2006 Unaudited £'000	Year Ended 31 January 2007 Audited £'000
Current year			
UK corporation tax	421	(2,005)	7,696
Adjustments in respect of prior periods	-	-	(1,269)
Overseas tax payable	-	-	1,619
Total current tax	<u>421</u>	<u>(2,005)</u>	<u>8,046</u>
Deferred tax:			
Origination and reversal of temporary differences	-	(199)	307
	<u>421</u>	<u>(2,204)</u>	<u>8,353</u>

5 Dividends

	Six months ended 31 July 2007 Unaudited £'000	Six months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Audited £'000
Ordinary dividends			
Final Paid	5,636	4,661	4,661
Interim Paid	-	-	4,286
	<u>5,636</u>	<u>4,661</u>	<u>8,947</u>

The interim dividend in relation to the period ended 31 July 2007 was declared on 25 September 2007 and is payable on 22 November 2007 to shareholders on the register on 24 October 2007. This dividend is therefore not included above.

Notes to the interim results

6 Earnings per share

The calculation of earnings per share for the six months ended 31 July 2007 is based on the profit after taxation of £938,000 (2006 interim: loss after taxation of £4,928,000; full year: profit after taxation of £21,140,000). The calculation of the earnings per share before non-recurring costs is based on a profit of £2,302,000 (2006 interim: loss of £4,928,000; full year: profit of £21,140,000). The calculation of basic earnings per share is based on a weighted average number of shares in issue during the period of 341,617,905 (2006 interim: 337,599,199; full year: 338,469,975). The calculation of diluted earnings per share is based on a weighted average number of shares in issue during the period of 345,436,164 (2006 interim: 337,599,199; full year: 340,825,002).

Reconciliation of denominators used for basic and diluted loss per share calculations:

	Basic	Effect of share options	Diluted
	<u>Number</u>	<u>Number</u>	<u>Number</u>
31 July 2007	341,617,905	3,818,260	345,436,165
31 July 2006	337,599,199	-	337,599,199
31 January 2007	338,469,975	2,355,027	340,825,002

In the prior year there were 2,235,036 share options not included within the above calculations as they would have an anti-dilutive effect on the earnings per share calculation. Additional disclosure has been provided in respect of earnings per share before non-recurring costs as the directors believe this gives a better view of ongoing maintainable earnings in the period.

	As at 31 July 2007 Unaudited Pence	As at 31 July 2006 Unaudited Pence	As at 31 January 2007 Audited Pence
Basic earnings per share	0.27	(1.46)	6.25
Non-recurring costs	0.40	0.00	0.00
Basic earnings per share before non-recurring costs	0.67	(1.46)	6.25

Notes to the interim results

7 Intangible fixed assets

	As at 31 July 2007 <u>Unaudited</u> £'000	As at 31 July 2006 <u>Unaudited</u> £'000	As at 31 January 2007 <u>Audited</u> £'000
Cost			
At beginning of period	104,981	99,389	99,389
Acquisitions	65,089	-	4,503
Additions	1,110	565	1,322
Foreign exchange adjustment	121	(4)	(223)
Disposals	-	(5)	(10)
At end of period	<u>171,301</u>	<u>99,945</u>	<u>104,981</u>
Amortisation			
At beginning of period	3,459	2,664	2,664
Acquisitions	877	-	63
Charge for the period	664	352	745
Foreign exchange adjustment	15	(1)	(8)
Disposals	-	(2)	(5)
At end of period	<u>5,015</u>	<u>3,013</u>	<u>3,459</u>
Carrying value	<u>166,286</u>	<u>96,932</u>	<u>101,522</u>

Of the additions, £63.2m relates to the acquisition of Gamestation (see note 15). This amount will be split between goodwill and intangibles but the detailed analysis required by GAME management can not be undertaken at this time owing to the hold separate undertakings which have been agreed with the Competition Commission. The split will be established and agreed after the finalisation of the Competition Commission inquiry in to the acquisition.

Notes to the interim results

8 Property, plant and equipment

	As at 31 July 2007 Unaudited £'000	As at 31 July 2006 Unaudited £'000	As at 31 January 2007 Audited £'000
Cost			
At beginning of period	159,090	139,137	139,137
Acquisitions	19,239	-	5,071
Additions	14,579	5,860	20,430
Foreign exchange adjustment	1,300	(34)	(1,528)
Disposals	(724)	(1,654)	(4,020)
At end of period	<u>193,484</u>	<u>143,309</u>	<u>159,090</u>
Depreciation			
At beginning of period	58,095	48,487	48,487
Acquisitions	13,353	-	200
Charge for the period	8,192	5,939	12,068
Foreign exchange adjustment	283	(5)	(293)
Disposals	(474)	(892)	(2,367)
At end of period	<u>79,449</u>	<u>53,529</u>	<u>58,095</u>
Carrying amount	<u>114,035</u>	<u>89,780</u>	<u>100,995</u>

9 Trade and other receivables

	As at 31 July 2007 Unaudited £'000	As at 31 July 2006 Unaudited £'000	As at 31 January 2007 Audited £'000
Amounts falling due within one year:			
Trade receivables	10,360	5,395	9,179
Other receivables	8,291	5,010	4,355
VAT recoverable	221	-	108
Corporation tax	-	1,589	-
Prepayments and accrued income	26,742	23,724	14,616
	<u>45,614</u>	<u>35,718</u>	<u>28,258</u>

10 Trade and other payables

	As at 31 July 2007 Unaudited £'000	As at 31 July 2006 Unaudited £'000	As at 31 January 2007 Audited £'000
Trade payables	96,584	67,408	95,580
Other payables	4,659	4,014	4,699
Taxation and social security costs	2,770	2,260	2,890
VAT payable	15,669	6,786	21,573
Accruals and deferred income	34,282	14,181	25,353
	<u>153,964</u>	<u>95,210</u>	<u>150,095</u>

Notes to the interim results

11 Long term borrowings

	As at 31 July 2007 <u>Unaudited</u> £'000	As at 31 July 2006 <u>Unaudited</u> £'000	As at 31 January 2007 <u>Audited</u> £'000
Current portion			
Bank loans	67,256	7,311	3,835
Obligations under finance leases and hire purchase contracts	599	373	642
	<u>67,855</u>	<u>7,684</u>	<u>4,477</u>
Non current portion			
Bank loans	80,000	26,713	26,479
Obligations under finance leases and hire purchase contracts	1,087	901	1,348
	<u>81,087</u>	<u>27,614</u>	<u>27,827</u>

12 Net (debt)/funds

	As at 31 July 2007 <u>Unaudited</u> £'000	As at 31 July 2006 <u>Unaudited</u> £'000	As at 31 January 2007 <u>Audited</u> £'000
Cash and cash equivalents	26,479	14,421	48,286
Short term borrowings	(5,081)	(34,359)	(15,359)
Net cash and cash equivalents	<u>21,398</u>	<u>(19,938)</u>	<u>32,927</u>
Current portion of long term borrowings	(67,855)	(7,684)	(4,477)
Long term borrowings	(81,087)	(27,614)	(27,827)
Net (debt)/funds	<u>(127,544)</u>	<u>(55,236)</u>	<u>623</u>

13 Profit and loss account

	As at 31 July 2007 <u>Unaudited</u> £'000	As at 31 July 2006 <u>Unaudited</u> £'000	As at 31 January 2007 <u>Audited</u> £'000
At 1 February	23,852	9,185	9,185
Share based payments	583	678	2,474
Profit/(loss) on ordinary activities after taxation	938	(4,928)	21,140
Dividends	(5,636)	(4,661)	(8,947)
	<u>19,737</u>	<u>274</u>	<u>23,852</u>

Notes to the interim results

14 Reconciliation of changes in shareholders' equity

	As at 31 July 2007 <u>Unaudited</u> £'000	As at 31 July 2006 <u>Unaudited</u> £'000	As at 31 January 2007 <u>Audited</u> £'000
Profit/(loss) on ordinary activities after tax	938	(4,928)	21,140
Exchange differences on foreign currency net investments	1,748	1,230	(3,571)
Dividends payable	(5,636)	(4,661)	(8,947)
Issue of shares during the year	2,059	846	1,767
Shares held in Trust	-	-	(213)
Share based payment	583	678	2,474
Net (deductions)/additions to shareholders' funds	(308)	(6,835)	12,650
Shareholders' funds at beginning of year	157,336	144,686	144,686
Shareholders' funds at 31 July 2007	<u>157,028</u>	<u>137,851</u>	<u>157,336</u>

15 Acquisitions

Current period acquisitions

On 2 May 2007 the Group acquired 100% of the share capital of the UK pc and video games retailer Gamestation. On acquisition, Gamestation operated 217 owned stores throughout the UK. The business was acquired for an initial consideration of £76m and a post completion payment of £5.8m to reflect cash of £4.3m and other working capital above the estimate, plus fees of £2.8m.

The Office of Fair Trading reviewed the acquisition of Gamestation and, on 9 August 2007, decided to refer the acquisition to the Competition Commission. The Competition Commission inquiry commenced on that day and is expected to be completed by the end of January 2008. In the interim, Gamestation will operate under 'hold separate' undertakings that GAME has agreed with the Competition Commission. The 'hold separate' undertakings are applied by the Office of Fair Trading and Competition Commission and are standard requirements to ensure that the acquired entity is not integrated with the business of the acquirer.

The value of the net assets of Gamestation at acquisition have been calculated at £21.4m, generating an intangible assets value of £63.2m. The net assets position of the business at acquisition, to reflect adjustments under IFRS, and the split of the intangibles between goodwill and brand value will be finalised after the outcome of the Competition Commission inquiry.

16 Related party transactions

There were no related party transactions within the period.

17 Risks

The principal risks and uncertainties facing the Group for the remaining six months of the year have been and are as at the date of this report:

Competition

The Group faces strong competition from a diverse range of competitors including supermarkets, online retailers, conventional high street retailers and independents. The Group expects increased competition from food retailers who are expanding their range of non-food items. The Group's acquisition of Gamestation is currently the subject of a Competition Commission inquiry, see Note 15.

Notes to the interim results

Seasonality

The Group's business is highly seasonal with the key trading period being the Christmas season. Turnover, operating profit and cash flow may be adversely impacted by variations in demand during this period.

Technology

Playing games online is a growing part of the market, whereby software content is sent digitally, direct from the publisher to the gamer. This may lead to reduced product sales for mainline retailers.

18 This interim report was approved by the Board of Directors on 25 September 2007

The financial information contained within this interim report does not comprise statutory accounts as defined in Section 240 of the Companies Act 1985.

The comparatives for the full year ended 31 January 2007 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

Copies of this interim report are being posted to shareholders and are available from the Company's office at Unity House, Telford Road, Basingstoke, Hampshire RG21 6YJ.

Statement of Director's Responsibilities

The directors confirm, to the best of their knowledge and belief, that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8. The directors of Game Group plc are listed in the Company's 2007 Annual Report and Accounts.

By order of the Board

David Thomas
Director
25 September 2007