

THE GAME GROUP PLC
RNS release
Half Year ended
31 July 2009

Half Year Results for the six months ended 31 July 2009

THE GAME GROUP PLC, Europe's leading retailer of pc and video games products, today announces half year results for the six months ended 31 July 2009.

Summary of results

All figures in £'m (unless stated)	<i>Six months ended 31/7/09</i>	<i>Six months ended 31/7/08</i>
Group turnover	690.8	742.6
Gross profit margin (%)	28.9	27.0
Operating profit before non-recurring costs	16.7	38.5
Non-recurring costs	3.7	3.0
Operating profit	13.0	35.5
Profit before tax	10.8	32.8
Profit before non-recurring costs and tax	14.5	35.8
Basic earnings per share before non-recurring costs (pence)	3.29	7.51
Basic earnings per share (pence)	2.23	6.63
Interim dividend per share (pence)	1.88	1.79
Trading store numbers	1,368	1,245
Trading square footage (sq. ft.thousands)	1,417	1,296

Financial highlights

- Total Group sales down 7.0% and like for like ('lfl') sales down by 16.3%
- Strong growth in gross margin, up 190 basis points ('bps')
- First half profit in line with expectations at £14.5m before non-recurring costs and tax (2008: £35.8m)
- Interim dividend up 5.0% to 1.88p
- Total sales in the 33 weeks ended 19 September 2009 down 8.8% and lfl sales down 16.6%

Operational highlights

- Dual brand proposition working well and on track to deliver full year synergies of £16m
- Revenues for preowned increased to £177.3m (2008: £157.8m) representing 25.7% (2008: 21.3%) of first half sales.
- Preowned gross margin up by 290 bps to 41.0%
- Online strategy progressing well, with 12.1% increase in revenues
- Continued focus on costs
- Strong balance sheet with minimal gearing, and refinanced facilities

Revised Guidance

- Gross margin growth guidance for the full year raised to 170 – 220 bps from 150 - 175 bps

Peter Lewis, Chairman, said:

“These were solid results for the Group. We have returned to more normal trading patterns where historically we have generated nearly all Group profits in the second half of the year.

We outperformed markets that showed year on year declines following last year’s unprecedented sales of hardware and record breaking software launches.

Key elements of our business have shown resilience. We achieved year on year growth in preowned sales, which increased 12.3% and now account for 25.7% (2008: 21.3%) of total sales, and in our online business we increased revenues by 12.1%. Our Reward Card membership has increased by over 1 million customers since the start of the year to more than 13.3m.

We have increased total half year gross margins by 190 bps to 28.9%, with preowned margins up 290 basis points to 41.0%.

In the second half, the installed base of third generation consoles will continue to build. The recent manufacturer price reductions on the Microsoft Xbox 360 Elite and Sony’s new model Playstation 3 are helping to stimulate the market for hardware. There is a broad and exciting line up of software and accessory products scheduled for all consoles before Christmas.

The retail environment continues to be tough. In uncertain times, our brand loyalty and our unique specialist proposition have never been more important. This, combined with our strict cost disciplines, the record console installed base and strong software line-up, means we remain optimistic for the key Christmas selling period.”

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CHAIRMAN'S REPORT

Introduction:

“These were solid results for the Group, as we have returned to more normal trading patterns where historically we have generated nearly all Group profits in the second half of the year.

We outperformed markets that showed year on year declines following last year's unprecedented sales of hardware and record breaking software launches including Mario Kart, Wii Fit and Grand Theft Auto IV.

Key elements of our business have shown resilience. We achieved year on year growth in preowned sales, which increased 12.3% and now account for 25.7% (2008: 21.3%) of total sales, and in our online business we increased revenues by 12.1%. Our Reward Card membership has increased by over 1 million customers since the start of the year to more than 13.3m.

We have increased total half year gross margins by 190 bps to 28.9% with preowned margins up 290 basis points to 41.0%.

Our performance is shaped by the technology in the market place and the customer demand that it creates. The third generation of video games consoles is now well established in the market with an installed base of just over 25m consoles, an increase of 45% on last year¹. Manufacturers and publishers are focussed on leveraging the substantial console installed base by releasing new software and innovative ways to play, and a significant number of exciting new releases will be launched into the market before Christmas.

Whilst we recognise that we are operating in a challenging wider economic environment, the sales performance of the limited number of AAA new software releases in the first half gives us continued confidence in customer demand for video game products. Furthermore, the performance of our preowned business has benefited the Group as customers increasingly seek out the best value for money.

Results

Group turnover for the six months to 31 July 2009 decreased by 7.0% to £690.8m (2008: £742.6m), with lfl sales down by 16.3%. In the UK and Ireland, total store sales decreased by 14.2% and lfl sales were down by 17.9%. In our International operations, total store sales increased by 7.3% and lfl sales decreased by 15.5%. Sales in our online business increased by 12.1%. This overall Group performance can be attributed to the slower rate of hardware sales and the paucity of major software launches, particularly compared to the first half of last year.

We have delivered an increase in our gross margin of 190 bps. The increase was achieved predominantly through higher margin preowned sales becoming a larger part

¹ Source: GfK ChartTrack, as at 19/09/09 and 28/09/08

of the overall mix, and the improved gross margin on those preowned sales. Additionally, we continue to benefit from our Gamestation acquisition synergies.

Group profit before tax and non-recurring costs was £14.5m (2008: £35.8m). Profit before tax was £10.8m (2008: £32.8m) and basic earnings per share were 2.23p (2008: 6.63p).

Your Board is declaring an interim dividend of 1.88p per share, an increase of 5%. Whilst the Board remains mindful of wider economic conditions, this progressive dividend policy reflects the Board's views on the quality of the pc and video games launch schedule in the second half.

Our net debt position at 31 July 2009 was £80.2m (2008: £57.8m). The slight increase in cash outflow year on year is attributable to the reduced operating profit and the timing of non-stock supplier payments.

Business Development

Our Market

The pc and video games market was worth approximately £4bn² in the UK last year, larger than either the music (£1.3bn³) or film markets (£2.3bn³). The third generation consoles and handheld machines from each of the main hardware manufacturers, namely PS3 (Sony), Xbox360 (Microsoft), Wii (Nintendo), PSP (Sony) and DS (Nintendo), have all been available in the market for at least two years. In the first half of the year Nintendo launched a new version of the Nintendo DS (the DSi). The overall rate of hardware growth has slowed compared to the record levels of last year. However a price cut on the Xbox 360 Elite and the introduction of a new Sony Playstation 3 model at a lower price have stimulated sales in recent weeks.

The installed base of consoles in each of the territories in which we operate is at significant levels, ranging from 140% of households in the UK to 66% in France⁴. The pc and video games market has a larger and more diverse customer base than ever before with customers playing across multiple formats, and genre types inspired by products offering new and innovative ways to play.

The schedule of new software releases across all formats is very strong for the second half of this year and into 2010. There will be titles such as Call of Duty Modern Warfare 2, Halo 3 ODST and Assassin's Creed 2 for the core gamers, and much loved titles such as Mario & Sonic at the Winter Olympic Games, FIFA 2010, Professor Layton and Pandora's Box, and Wii Fit Plus for the more casual players. Historically we have seen that popular new software releases also drive the sale of hardware.

Our Proposition

In a marketplace which displays significant product range, choice and technical innovation, the role of the specialist is crucial.

² Source: GfK ChartTrack

³ Source: Entertainment Retailers Association

⁴ Includes: Sony PS2, PSP, PS3; Nintendo DS, DS Lite, DSi; Microsoft Xbox 360

We offer customers the same unique specialist proposition through every market in which we trade:

- **Employees:** We recruit and train employees with a passion for games and an aptitude for retail, who are dedicated to giving our customers the highest levels of service and advice.
- **Product and Range:** We stock the widest range of pc and video games on the high street and, as a leading specialist, we receive significant quantities of new product. We are able to offer unique promotions, hardware bundle deals, limited edition products and offers, and our own range of accessories. We offer customers what they want at prices they can afford.
- **Preowned:** This is a vital component of our specialist offer. The ability to trade-in and buy preowned games at GAME and Gamestation provides a material benefit for customers, particularly in today's challenging economic climate. We have developed our preowned offering over more than ten years, allowing us to perfect our customer offer and enhance gross margins.
- **Customer Loyalty:** We have 13.3m Reward Card members around the world. They receive points on every purchase that can later be used as discounts against future purchases. This, together with preowned, is a significant part of our customer value proposition. The resulting customer and transactional data allows us to achieve a unique point of difference in our customer relationship management.

Our customer facing proposition is underpinned by a strong operating infrastructure:

- **Property:** We identify the store locations that will give us the best returns on our investment in each country in which we operate. In the first half we have opened a net 26 stores, bringing us to a total store number of 1,368. We plan to open a further 50-60 stores before the end of the year.
- **Ecommerce:** We have an online offering that matches the quality and reputation of our stores, selling both boxed and digital products. We continue to evolve our online brand presence and digital offer as customers become more comfortable with the technology.
- **Business Relationships:** To provide customers with a range of product and offers, it is important that we maintain long-term and successful relationships with all key suppliers.
- **Distribution:** Our distribution centres are dedicated to getting product quickly and efficiently to our stores and to customers' homes.

We continue to target the Group's resources towards each of these operating features, in each of our markets, depending on which displays the strongest return on investment characteristics.

Store portfolio

	31 July 2009	31 July 2008	31 January 2009
	Number	Number	Number
<i>Company owned and concessions</i>			
UK and Ireland			
- GAME	444	423	443
- Gamestation	254	246	253
<i>Total UK and Ireland</i>	698	669	696
France	198	187	192
Iberia	270	241	258
Scandinavia	67	62	66
Czech Republic	21	-	22
Australia	108	72	101
<i>Total International</i>	664	562	639
<i>Total owned and concessions</i>	1,362	1,231	1,335
<i>Franchises</i>			
France	-	2	1
Iberia	5	10	5
Australia	1	2	1
<i>Total franchises</i>	6	14	7
Total operational outlets	1,368	1,245	1,342

The UK and Ireland

In the final quarter of last year we saw unprecedented changes to the retail landscape as some pc and video games retailers ceased to trade. We have broadened the appeal of our offer and taken our share of the market that became available.

We have opened a net two stores across our GAME and Gamestation brands in the first half, giving us a 698 store portfolio. Our focus is on ensuring we are in the right location for each of our brands.

Following the acquisition of Gamestation in the year to January 2008, we delivered £10m of ongoing synergies in the 53 weeks ended January 2009. We have targeted a further £6m of synergy benefits for this year, giving an annualised rate of £16m going forward. We are on track to deliver these by the end of January 2010.

To achieve these synergies there will be a total non-recurring charge of approximately £6.5m this year of which £3.7m has been incurred in the year to date. In addition, capital expenditure required to integrate the acquisition this year will be in the region of £5m.

International

Our International business consists of eight countries. All of these countries have been impacted by the challenging economic conditions. We have held our market position in each of our territories. The International business now represents 33.2% of Group revenue and 29.4% of gross profit.

We have opened a net 24 stores internationally. We are actively focussed on building a platform for long term growth, opening stores in those territories where we will see the greatest return on investment and benefits of scale – Spain, where we are the market leader, and Australia where we are still building our business to the appropriate scale. We expect new stores to pay-back on the initial capital investment within two to three years.

Online Initiatives

We continue to focus on delivering a truly multi-channel proposition that allows us to be the aggregator of choice in whichever way the customer wants to shop. We are evolving our eCommerce, online and digital offer through a targeted strategy:

Ecommerce: We operate three transactional websites in the UK (www.game.co.uk, www.gamestation.co.uk, www.gameplay.co.uk) and five internationally, allowing customers to order product for delivery direct to home. In the first half, we have achieved revenues of £33.2m (2008: £29.6m) and operating profit of £1.6m (2008: £1.8m).

Online Play: Many of our customers now play games online via mediums such as pc, Xbox Live and Sony's Playstation Network. We participate in this area by selling the original boxed products, accessories and online time cards which allow customers to fully experience the online arena.

Digital distribution: This is a pc service, and involves downloading games directly through a broadband internet connection. We offer customers a choice: either to "Buy and Download" a specific title or to play a variety of games using a subscription service called "Games on Demand". We have seen good growth in these services, but to date they remain a small part of our online business.

We are able to track progress in the market and customer trends through our Reward Card data and our leading relationships in the industry. We believe that, over the longer term, interest in these various ways of playing video games will increase. However, growth in this media is currently restricted by both customer appetite and the inherent IT and broadband infrastructure of every country in which we operate. We intend to invest up to £5m this year in our online and digital proposition.

Treasury and Capital Expenditure

Balance Sheet and Capital Expenditure

Our net assets position has remained in line with the previous year end at approximately £280m.

Fixed assets have remained relatively static as additions have been offset by the depreciation charge in the half year. We expect to open a further 50 to 60 stores in

the remainder of the year. This, combined with our online, IT, infrastructure and integration spend will result in a full year capital expenditure of between £30m and £35m.

Cash flow

Our net debt as at 31 July 2009 was £80.2m (2008: £57.8m). The slight increase in cash outflow year on year is attributable to the reduced operating profit and the timing of non-stock supplier payments. In the 2009/10 financial year, average net debt is expected to be around £60m.

During the period we refinanced our borrowing facilities, giving us available funds of £175m repayable in June 2012. This provides the financial flexibility to deliver our specialist offer without compromise. In addition, the continuing support of a syndicate of five banks reflects the strength of the GAME Group proposition.

Employees

The wider economic conditions are challenging and I have been very pleased with the way all of our employees have continued to work tirelessly to engage with our customers and provide outstanding customer service. I would like to thank them all.

Corporate Responsibility

We have developed our Corporate Responsibility strategy to best enhance our reputation and our brand. We ensure that the way we work impacts positively on the communities in which we operate and on our customers, suppliers and stakeholders.

Current Trading and Prospects

In the 33 weeks ended 19 September 2009, total Group sales were down by 8.8%. The UK and Ireland total store sales were down by 14.8%, International store sales and total online sales were up by 2.3% and 4.2% respectively. For the same period, Group Ifl sales were down by 16.6%, with the UK and Ireland Ifl sales down by 18.0% and International Ifl sales down by 16.4%. Overall, these results reflect a continuation of the slower hardware sales we saw in the first half and the fact that we are only just entering the period of significant software releases.

In the second half, the installed base of third generation consoles will continue to build. The recent manufacturer price reductions on the Microsoft Xbox 360 Elite and Sony's new model Playstation 3 are helping to stimulate the market for hardware. There is a broad and exciting line up of software and accessory products scheduled for all consoles before Christmas including Call of Duty Modern Warfare 2, Assassin's Creed 2, FIFA 2010, and Mario & Sonic at the Winter Olympics.

Our well-established trade-in offer and preowned programme offers customers exceptional value for money, and an increasing number of customers are recognising this. At the half year preowned sales represented 25.7% (2008: 21.3%) of Group revenues. Consequently, we anticipate gross margin for the full year will increase by between 170 and 220 basis points.

The retail environment continues to be tough.

In uncertain times our brand loyalty and our unique specialist proposition have never been more important. We place the customer at the heart of everything we do, delivering exceptional customer service and value through our unique Reward Card scheme, our preowned programme and leading offers in our stores and online. This, combined with our strict cost disciplines, the record console installed base and strong software line-up, means we remain optimistic for the key Christmas selling period.”

Peter Lewis
Chairman

GAME Group Plc
Unaudited Condensed Consolidated Statement of Comprehensive Income
for the six months ended 31 July 2009

	Notes	Six months ended 31 July 2009 Unaudited £'000	Restated Six months ended 31 July 2008 Unaudited £'000	Restated Year ended 31 January 2009 Unaudited* £'000
Revenue	2	690,753	742,553	1,968,604
Cost of sales		<u>490,785</u>	<u>542,386</u>	<u>1,454,097</u>
Gross profit		199,968	200,167	514,507
Other operating expenses	3	<u>186,934</u>	<u>164,694</u>	<u>390,214</u>
Operating profit before non-recurring costs		16,718	38,518	130,881
Non-recurring costs	3	<u>(3,684)</u>	<u>(3,045)</u>	<u>(6,588)</u>
Operating profit		13,034	35,473	124,293
Finance income		133	828	1,805
Finance costs		<u>(2,393)</u>	<u>(3,490)</u>	<u>(8,732)</u>
Profit before taxation		10,774	32,811	117,366
Taxation	4	<u>3,050</u>	<u>9,903</u>	<u>34,173</u>
Profit for the period attributable to equity holders of the parent		7,724	22,908	83,193
Other comprehensive income:				
Exchange differences on translating foreign operations		(590)	7,419	17,550
Deferred income tax on share-based payments		-	-	(442)
Income tax on share-based payments		-	-	1,789
Other comprehensive income for the period, net of tax		<u>(590)</u>	<u>7,419</u>	<u>18,897</u>
Total comprehensive income for the period attributable to equity holders of the parent		7,134	30,327	102,090
Earnings per share - basic	6	2.23p	6.63p	24.05p
- diluted	6	<u>2.23p</u>	<u>6.61p</u>	<u>23.97p</u>

* The 31 January 2009 comparative period is based on the audited financial statements for the year end as amended for a prior year adjustment due to the adoption of IFRIC 13.

GAME Group Plc
Unaudited Condensed Consolidated Balance Sheet
at 31 July 2009

		As at 31 July 2009	Restated As at 31 July 2008	Restated As at 31 January 2009
	Notes	Unaudited £'000	Unaudited £'000	Unaudited* £'000
Non current assets				
Property, plant and equipment	7	162,203	144,928	165,609
Intangible assets	8	181,422	175,566	182,267
Deferred tax asset		2,738	-	2,738
		<u>346,363</u>	<u>320,494</u>	<u>350,614</u>
Current assets				
Inventories		166,498	184,045	181,965
Trade and other receivables	9	55,153	61,825	55,465
Cash and cash equivalents		57,768	62,647	139,614
		<u>279,419</u>	<u>308,517</u>	<u>377,044</u>
Total assets		<u>625,782</u>	<u>629,011</u>	<u>727,658</u>
Current liabilities				
Trade and other payables	10	192,416	265,340	349,182
Current portion of long-term borrowings	11	104,328	63,439	26,325
Leasehold property incentives		1,357	713	904
Corporation tax liabilities		6,881	14,030	26,037
		<u>304,982</u>	<u>343,522</u>	<u>402,448</u>
Non current liabilities				
Long-term borrowings	11	33,626	57,030	31,847
Leasehold property incentives		7,614	7,094	8,328
Deferred tax liabilities		-	1,929	-
		<u>41,240</u>	<u>66,053</u>	<u>40,175</u>
Total liabilities		<u>346,222</u>	<u>409,575</u>	<u>442,623</u>
Net assets		<u>279,560</u>	<u>219,436</u>	<u>285,035</u>
Equity attributable to equity holders of the parent				
Share capital	13	17,332	17,314	17,316
Share premium account	14	46,644	46,435	46,462
Capital redemption reserve	15	2,248	2,249	2,248
Shares held in Trust	15	(3,168)	(5,315)	(6,451)
Merger reserve	15	76,907	76,907	76,907
Foreign exchange reserve	15	22,864	13,323	23,454
Retained earnings	15	116,733	68,523	125,099
Total Equity		<u>279,560</u>	<u>219,436</u>	<u>285,035</u>

* The 31 January 2009 comparative period is based on the audited financial statements for the year end as amended for a prior year adjustment due to the adoption of IFRIC 13.

Approved and authorised for issue by the Board on 23 September 2009

Ben White

Director

GAME Group Plc
Unaudited Condensed Consolidated Statement
of Cash Flows
for the six months ended 31 July 2009

	Six months ended 31 July 2009	Restated Six months ended 31 July 2008	Restated Year ended 31 January 2009
Notes	Unaudited	Unaudited	Unaudited*
	£'000	£'000	£'000
Cash flows from operating activities			
Operating profit	13,034	35,473	124,293
Equity-settled share-based payment expense	1,296	828	1,968
Depreciation and amortisation	14,335	12,632	28,901
Loss/(profit) on disposal of non-current assets	1,018	(212)	146
Market value movement on financial instrument	205	205	211
	29,888	48,926	155,519
Decrease/(increase) in trade and other receivables	312	(7,980)	212
Decrease/(increase) in inventories	15,467	(38,806)	(30,293)
(Decrease)/increase in trade and other payables	(154,959)	(51,428)	28,573
(Decrease)/increase in leasehold incentives	(261)	547	1,573
Cash generated from operations	(109,553)	(48,741)	155,584
Finance costs paid	(2,393)	(3,490)	(8,732)
Corporation tax paid	(21,749)	(11,735)	(28,844)
Net cash from operating activities	(133,695)	(63,966)	118,008
Cash flows from investing activities			
Acquisitions	-	(1,595)	(6,804)
Purchase of property, plant and equipment	(11,863)	(20,475)	(48,727)
Purchase of intangible assets	(2,753)	(2,605)	(4,718)
Proceeds from sale of equipment	455	455	1,128
Finance income received	133	828	1,805
Net cash used in investing activities	(14,028)	(23,392)	(57,316)
Cash flows from financing activities			
Proceeds from issue of share capital	198	1,710	1,740
Purchase of own shares	-	(1,241)	(1,241)
Shares purchased for Trust	(1,254)	(2,692)	(3,828)
Payment of Term Loan	(55,000)	-	(25,000)
Proceeds from Term Loan	50,000	-	-
Net receipt/(payment) of other long-term borrowings	85,068	25,124	(13,765)
Payment of finance lease liabilities	(286)	(503)	(393)
Dividends paid	(12,849)	(10,292)	(16,490)
Net cash used in financing activities	65,877	12,106	(58,977)
Net (decrease)/increase in cash and cash equivalents	(81,846)	(75,252)	1,715
Cash and cash equivalents at beginning of period	139,614	137,899	137,899
Cash and cash equivalents at end of period	57,768	62,647	139,614

* The 31 January 2009 comparative period is based on the audited financial statements for the year end as amended for a prior year adjustment due to the adoption of IFRIC 13.

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 2010. 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. In line with this standard, the financial statements are referred to as condensed.

Accounting policies

The accounting policies used in preparing the Interim Report are as set out in the statutory accounts for the year ended 31 January 2009. Other than noted below, there have been no changes in accounting policies and accounting estimates.

Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to such assumptions and estimates include the useful lives of assets, the measurement and recognition of provisions, the recognition of deferred tax assets and liabilities for potential corporation tax. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to inventory valuation; lease costs; the valuation of goodwill and acquired intangible assets; share-based payments and taxation. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the interim results

1 General (continued)

Adoption of new and revised Standards

The Directors have chosen to early adopt IFRS 3 “Business Combinations amendment” which is effective for financial statements commencing after 1 July 2009 although this interpretation is not yet endorsed by the EU. The impact of the adoption of this standard has not had a material impact on the results, cash flows or financial position of the Group or the Company.

Changes in accounting policies

In the current financial year, the Group has adopted IAS 1 “Presentation of Financial Statements” (Revised), IFRS 8 “Operating Segments”, amendment to IFRS 2 “Share-based payments: vesting conditions and cancellations” and IFRIC 13 “Customer Loyalty Programmes”.

IAS 1 Presentation of Financial Statements (Revised) includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive Income (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The Directors have chosen the first option. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. By contrast IAS 14 “Segmental Reporting” required business and geographical segments to be identified on a risks and rewards approach. The effect of applying IFRS 8 is to restate the 08/09 Comparatives according to the operating segments, UK & Ireland Stores, International Stores, Global Online. The operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The online segment is now reported separately, as the Board of Directors consider this segment to be of growing importance.

Amendment to IFRS 2 “Share-based payments: vesting conditions and cancellations” results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan as well as in a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. Management has concluded that so far there has been no impact on the results of the Group as a result of this amendment.

IFRIC 13 “Customer Loyalty Programmes” requires the deferral of revenue for the fair value of Loyalty Card points until these points are redeemed. Previously only the estimated cost of these points was accrued with the associated charge being recognised in cost of sales. The effect of this change is to decrease profit in the period by £0.3million (£0.5million reduction in profit for the 08/09 Interim period and £2.2m reduction in profit for the 08/09 year end). Additionally, the effect of this change has been to reduce the retained earnings at 1 February 2008 by £3.1million.

The table set out below demonstrates the impact of this upon Operating Profit to show the re-statement to the figures previously disclosed.

	Six months ended 31 July 2009	Six months ended 31 July 2008	Year ended 31 January 2009
Operating profit before non-recurring costs and IFRIC 13	17,038	39,016	133,128
IFRIC 13 impact	(320)	(498)	(2,247)
Operating profit before non-recurring costs	16,718	38,518	130,881

1 General (continued)

Standards and Interpretations in issue not yet adopted

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

International Accounting Standards (IAS/IFRS)	Effective Date
IFRS 7* Improving Disclosures about Financial Instruments amendment	01/01/2009
IFRS 3* Business Combinations amendment and complementary amendments to IAS 27 Consolidated and Separate Financial Statements	01/07/2009
IAS 39* Financial Instruments: Recognition and measurement: Eligible Hedged Items amendment	01/07/2009
IFRS 5 Non-current assets held for sale and discontinued operations amendment	01/01/2010
IAS 7 Statement of cash flows amendment	01/01/2010
IAS 18 Revenue amendment	01/01/2010
IAS 36 Impairment of assets amendment	01/01/2010
IAS 38 Intangible assets amendment	01/01/2010
IFRS 1* Additional exemptions for First Time adopters amendments	01/01/2010
IFRS 2* Group Cash-settled Share-based payment Transactions amendments	01/01/2010
Improvements to IFRSs*	Various

International Financial Reporting Interpretations Committee (IFRIC)	Effective Date
IFRIC 16* Hedges of a Net Investment in a Foreign Operation	01/01/2009
IFRIC 9* and IAS 39* Embedded derivatives amendments	30/06/2009
IFRIC 15* Agreements for the Construction of Real Estate	01/01/2009
IFRIC 17* Distributions of Non-cash assets to owners	01/07/2009
IFRIC 18* Transfers of assets from customers	01/07/2009

*These standards and interpretations are not endorsed by the EU at present.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Notes to the interim results

2 Revenue and operating profit

Revenue, pre-tax profits and net assets all relate to the retail of pc and video game products and the Group's operations are organised and managed by geographic location of distribution to customer. Management consider the reportable operating segments in accordance with IFRS 8 to be split between the UK and Ireland Stores, International Stores, and Global Online.

	United Kingdom & Ireland Stores	International Stores	Global Online	Total	United Kingdom & Ireland Stores	International Stores	Global Online	Total
	Six months ended 31 July 2009	Six months ended 31 July 2009	Six months ended 31 July 2009	Six months ended 31 July 2009	Six months ended 31 July 2008	Six months ended 31 July 2008	Six months ended 31 July 2008	Six months ended 31 July 2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	428,307	229,236	33,210	690,753	499,318	213,600	29,635	742,553
Cost of sales	293,332	170,395	27,058	490,785	360,640	158,697	23,049	542,386
Gross profit	134,975	58,841	6,152	199,968	138,678	54,903	6,586	200,167
Other operating expenses	109,945	68,738	4,567	183,250	104,785	52,046	4,818	161,649
Operating profit/(loss) before non-recurring costs	25,030	(9,897)	1,585	16,718	33,893	2,857	1,768	38,518
Non-recurring costs	3,684	-	-	3,684	3,045	-	-	3,045
Operating profit/(loss)	21,346	(9,897)	1,585	13,034	30,848	2,857	1,768	35,473
Goodwill and other intangibles	153,680	27,026	716	181,422	152,928	21,904	734	175,566
Other assets	199,382	232,405	12,573	444,360	248,558	199,803	5,084	453,445
Assets	353,062	259,431	13,289	625,782	401,486	221,707	5,818	629,011
Liabilities	137,252	199,398	9,572	346,222	220,544	181,624	7,407	409,575
Net assets	215,810	60,033	3,717	279,560	180,942	40,083	(1,589)	219,436
Capital expenditure	5,559	7,934	1,123	14,616	8,663	14,072	345	23,080
Depreciation and amortisation	7,345	5,974	1,016	14,335	7,604	4,721	307	12,632
Share-based payment expenses	1,296	-	-	1,296	828	-	-	828

Notes to the interim results

2 Revenue and operating profit (continued)

	United Kingdom & Ireland Stores Year ended 31 January 2009 £'000	Inter- national Stores Year ended 31 January 2009 £'000	Global Online Year ended 31 January 2009 £'000	Total Year ended 31 January 2009 £'000
Revenue	1,286,642	575,172	106,790	1,968,604
Cost of sales	932,434	434,914	86,749	1,454,097
Gross profit	354,208	140,258	20,041	514,507
Other operating expenses	247,627	122,037	13,962	383,626
Operating profit before non-recurring costs	106,581	18,221	6,079	130,881
Non-recurring costs	6,588	-	-	6,588
Operating profit	99,993	18,221	6,079	124,293
Goodwill and other intangibles	154,362	27,134	771	182,267
Other assets	279,721	258,154	7,516	545,391
Assets	434,083	285,288	8,287	727,658
Liabilities	271,113	164,674	6,836	442,623
Net assets	162,970	120,614	1,451	285,035
Capital expenditure	20,152	28,805	4,488	53,445
Depreciation and amortisation	15,451	12,059	1,391	28,901
Share-based payment expenses	1,968	-	-	1,968

Notes to the interim results

2 Revenue and operating profit (continued)

Information about products and services

	Six months ended 31 July 2009 £'000		Six months ended 31 July 2008 £'000	
	Total	% of Total	Total	% of Total
Revenue				
Hardware	146,657	21.2	187,910	25.3
Software	282,829	40.9	318,542	42.9
New hardware and software	429,486	62.1	506,452	68.2
Preowned	177,268	25.7	157,844	21.3
Other	83,999	12.2	78,257	10.5
Total	690,753	100.0	742,553	100.0

	Six months ended 31 July 2009 £'000		Six months ended 31 July 2008 £'000	
	Total	% of Total	Total	% of Total
Gross Margin				
New hardware and software	102,459	51.2	120,383	60.1
Preowned	72,664	36.3	60,110	30.0
Other	24,845	12.5	19,674	9.9
Total	199,968	100.0	200,167	100.0

	Six months ended 31 July 2009 %	Six months ended 31 July 2008 %
	Total	Total
Gross Margin		
New hardware and software	23.9	23.8
Preowned	41.0	38.1
Other	29.6	25.1
Total Group	28.9	27.0

Notes to the interim results

2 Revenue and operating profit (continued)

	Six months ended 31 July 2009 Unaudited £'000	Six months ended 31 July 2008 Unaudited £'000	Year ended 31 January 2009 Audited £'000
Revenue by territory			
United Kingdom and Ireland	428,307	499,318	1,286,642
France	76,938	78,302	194,855
Iberia	105,836	97,081	260,389
Scandinavia	19,501	19,713	52,631
Australia	24,460	18,504	62,751
Czech Republic	2,501	-	4,546
Total Stores	657,543	712,918	1,861,814
Total Online	33,210	29,635	106,790
Total Turnover	690,753	742,553	1,968,604
Stores by territory			
United Kingdom and Ireland	698	669	696
France	198	187	192
Iberia	270	241	258
Scandinavia	67	62	66
Australia	108	72	101
Czech Republic	21	-	22
	1,362	1,231	1,335
Franchises			
France	-	2	1
Iberia	5	10	5
Australia	1	2	1
	6	14	7
Trading square footage by territory			
United Kingdom and Ireland	812,325	781,294	808,322
France	181,621	173,548	177,729
Iberia	225,690	199,921	218,395
Scandinavia	63,906	59,729	62,367
Australia	121,153	81,566	113,417
Czech Republic	12,342	-	12,611
	1,417,037	1,296,058	1,392,841
3 Other operating expenses			
	Six months ended 31 July 2009 Unaudited £'000	Six months ended 31 July 2008 Unaudited £'000	Year ended 31 January 2009 Audited £'000
Selling and distribution	156,940	137,768	304,428
Administrative expenses	29,994	26,926	85,786
	186,934	164,694	390,214

In the current year administrative expenses include non-recurring costs of £3,684,383 (2008 interim: £3,044,635; full year: £6,587,603) in relation to integration fees following the acquisition of Gamestation.

Notes to the interim results

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 2009 Unaudited £'000	Six months ended 31 July 2008 Unaudited £'000	Year Ended 31 January 2009 Audited £'000
Current tax:			
UK corporation tax	2,344	8,701	34,235
Adjustments in respect of prior periods	-	-	190
Overseas tax payable	<u>706</u>	<u>1,202</u>	<u>4,903</u>
Total current tax	3,050	9,903	39,328
Deferred tax:			
Current year movement	-	-	(5,194)
Prior year movement	-	-	39
	<u><u>3,050</u></u>	<u><u>9,903</u></u>	<u><u>34,173</u></u>

Disclosure of tax effects relating to each component of other comprehensive income

	Six months ended 31 July 2009 Unaudited			Six months ended 31 July 2008 Unaudited		
	Before- tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Exchange differences on translating foreign operations	(590)	-	(590)	7,419	-	7,419
Gains on property revaluation	-	-	-	-	-	-
Other comprehensive income	<u>(590)</u>	<u>-</u>	<u>(590)</u>	<u>7,419</u>	<u>-</u>	<u>7,419</u>

5 Dividends

	Six months ended 31 July 2009 Unaudited £'000	Six months ended 31 July 2008 Unaudited £'000	Year ended 31 January 2009 Audited £'000
Ordinary dividends			
Final Paid	12,849	10,292	10,292
Interim Paid	-	-	6,198
	<u><u>12,849</u></u>	<u><u>10,292</u></u>	<u><u>16,490</u></u>

The interim dividend in relation to the period ended 31 July 2009 was declared on 23 September 2009 and is payable on 19 November 2009 to shareholders on the register on 23 October 2009. 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 2009 is based on the profit after taxation of £7,724,000 (2008 interim: £22,908,000; full year: £83,193,000). The calculation of the earnings per share before non-recurring costs is based on a profit of £11,408,000 (2008 interim: £25,953,000; full year: £89,781,000). The calculation of basic earnings per share is based on a weighted average number of shares in issue during the period of 346,369,840 (2008 interim: 345,472,823; full year: 345,895,311). The calculation of diluted earnings per share is based on a weighted average number of shares in issue during the period of 347,113,425 (2008 interim: 346,734,921; full year: 347,024,028).

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

	<u>Basic Number</u>	<u>Effect of share options Number</u>	<u>Diluted Number</u>
31 July 2009	346,369,840	743,585	347,113,425
31 July 2008	345,472,823	1,262,098	346,734,921
31 January 2009	345,895,311	1,128,717	347,024,028

There are no anti-dilutive share options in the current or prior periods.

	<u>As at 31 July 2009 Unaudited Pence</u>	<u>As at 31 July 2008 Unaudited Pence</u>	<u>As at 31 January 2009 Audited Pence</u>
Basic earnings per share	2.23	6.63	24.05
Non-recurring costs	1.06	0.88	1.91
Basic earnings per share before non-recurring costs	3.29	7.51	25.96

Notes to the interim results

7 Property, plant and equipment

	As at 31 July 2009 <u>Unaudited</u> £'000	As at 31 July 2008 <u>Unaudited</u> £'000	As at 31 January 2009 <u>Audited</u> £'000
Cost			
Balance brought forward	279,744	219,236	219,236
Additions	11,863	20,475	48,727
Acquisitions	-	149	606
Disposals	(2,725)	(1,016)	(4,677)
Foreign exchange adjustment	(3,303)	5,936	15,852
Balance carried forward	<u>285,579</u>	<u>244,780</u>	<u>279,744</u>
Depreciation			
Balance brought forward	114,135	88,574	88,574
Charge for the period	11,229	10,749	25,264
Acquisitions	-	-	163
Disposals	(1,130)	(854)	(3,509)
Foreign exchange adjustment	(858)	1,383	3,643
Balance carried forward	<u>123,376</u>	<u>99,852</u>	<u>114,135</u>
Carrying amount	<u>162,203</u>	<u>144,928</u>	<u>165,609</u>

8 Intangible fixed assets

	As at 31 July 2009 <u>Unaudited</u> £'000	As at 31 July 2008 <u>Unaudited</u> £'000	As at 31 January 2009 <u>Audited</u> £'000
Cost			
Balance brought forward	192,436	179,080	179,080
Acquisitions	-	1,211	6,542
Additions	2,753	2,605	4,764
Foreign exchange adjustment	(626)	958	2,157
Disposals	(281)	(102)	(107)
Balance carried forward	<u>194,282</u>	<u>183,752</u>	<u>192,436</u>
Amortisation			
Balance brought forward	10,169	6,209	6,209
Acquisitions	-	-	73
Charge for the period	3,106	1,883	3,637
Foreign exchange adjustment	(13)	115	250
Disposals	(402)	(21)	-
Balance carried forward	<u>12,860</u>	<u>8,186</u>	<u>10,169</u>
Carrying amount	<u>181,422</u>	<u>175,566</u>	<u>182,267</u>

Notes to the interim results

9 Trade and other receivables

	As at 31 July 2009 Unaudited £'000	As at 31 July 2008 Unaudited £'000	As at 31 January 2009 Audited £'000
Amounts falling due within one year:			
Trade receivables	5,929	10,739	16,197
Other receivables	13,712	16,205	22,066
VAT recoverable	-	804	64
Total trade and other receivables	19,641	27,748	38,327
Prepayments and accrued income	35,512	34,077	17,138
	55,153	61,825	55,465

10 Trade and other payables

	As at 31 July 2009 Unaudited £'000	Restated As at 31 July 2008 Unaudited £'000	Restated As at 31 January 2009 Unaudited £'000
Amounts falling due within one year:			
Trade payables	135,521	169,792	216,156
Other payables	5,994	10,814	6,895
Tax and social security costs	3,215	4,293	8,930
VAT payable	11,099	21,531	45,359
Accruals and deferred income	36,587	58,910	71,842
	192,416	265,340	349,182

Notes to the interim results

11 Long-term borrowings

	As at 31 July 2009 Unaudited £'000	As at 31 July 2008 Unaudited £'000	As at 31 January 2009 Audited £'000
Current portion			
Bank loans	103,866	62,963	25,948
Obligations under finance leases and hire purchase contracts	462	476	377
	<u>104,328</u>	<u>63,439</u>	<u>26,325</u>
Non-current portion			
Bank loans	33,333	56,573	31,183
Obligations under finance leases and hire purchase contracts	293	457	664
	<u>33,626</u>	<u>57,030</u>	<u>31,847</u>

12 Analysis of net (debt)/funds

	As at 31 July 2009 Unaudited £'000	As at 31 July 2008 Unaudited £'000	As at 31 January 2009 Audited £'000
Cash and cash equivalents	57,768	62,647	139,614
Net cash and cash equivalents	57,768	62,647	139,614
Current portion of long-term borrowings	(104,328)	(63,439)	(26,325)
Long-term borrowings	(33,626)	(57,030)	(31,847)
Net (debt)/funds	<u>(80,186)</u>	<u>(57,822)</u>	<u>81,442</u>

Notes to the interim results

13 Called-up share capital

	2009		2008	
	£'000	Number	£'000	Number
<i>Authorised</i>				
Ordinary shares of 5p	<u>24,000</u>	<u>480,000,000</u>	<u>24,000</u>	<u>480,000,000</u>
<i>Allotted, called-up and fully paid</i>				
Ordinary shares of 5p	<u>17,332</u>	<u>346,633,895</u>	<u>17,314</u>	<u>346,282,946</u>

Shares issued

During the half year 310,238 shares (2008 interim: 2,938,380; full year: 3,479,091) were issued to employees exercising share options granted under various option schemes. The total consideration received on the exercise of these options was £198,068 (2008 interim: £1,732,846; full year: £1,740,436).

Share purchased

During the half year no shares (2008 interim: 500,000; full year: 500,000) were repurchased for cancellation by the Company.

Trust shares

During the half year 800,000 shares (2008 interim: 1,000,000; full year: 1,800,000) were purchased at a cost of £1,254,252 (2008 interim: £2,692,310; full year: £3,828,470). These shares are to be used wholly and exclusively to pay LTIP awards when they become due for payment.

14 Share Premium account

	As at 31 July 2009 Unaudited £'000	As at 31 July 2008 Unaudited £'000	As at 31 January 2009 Audited £'000
Amount subscribed for share capital in excess of nominal value			
At 1 February	46,462	44,848	44,848
Arising on issue of shares during the year (net of expenses)	182	1,587	1,614
	<u>46,644</u>	<u>46,435</u>	<u>46,462</u>

Notes to the interim results

15 Statement of changes in equity

	Share Capital	Share Premium	Capital Redemption Reserve	Shares held in Trust	Merger Reserve	Retained Earnings	Foreign Exchange Reserve	Total
At 1 February 2008 before restatement	17,167	44,848	2,223	(4,403)	76,907	61,276	5,904	203,922
Restatement	-	-	-	-	-	(3,126)	-	(3,126)
At 1 February 2008 after restatement	17,167	44,848	2,223	(4,403)	76,907	58,150	5,904	200,796
Exchange differences on translation of foreign currency net investment in subsidiaries	-	-	-	-	-	-	7,419	7,419
Net income recognised directly in equity	-	-	-	-	-	-	7,419	7,419
Net income recognised in income statement	-	-	-	-	-	22,908	-	22,908
Total recognised income and expense	-	-	-	-	-	22,908	7,419	30,327
Issue of shares	123	1,587	-	-	-	-	-	1,710
Purchase of shares	-	-	-	(2,692)	-	-	-	(2,692)
Exercise of options	-	-	-	1,830	-	(1,830)	-	-
Dividends paid	-	-	-	-	-	(10,292)	-	(10,292)
Share based payments	-	-	-	-	-	828	-	828
Share buyback	(26)	-	26	-	-	(1,241)	-	(1,241)
Net settled options	50	-	-	(50)	-	-	-	-
At 31 July 2008	17,314	46,435	2,249	(5,315)	76,907	68,523	13,323	219,436
At 1 February 2009 before restatement	17,316	46,462	2,248	(6,451)	76,907	130,472	23,454	290,408
Restatement	-	-	-	-	-	(5,373)	-	(5,373)
At 1 February 2009 after restatement	17,316	46,462	2,248	(6,451)	76,907	125,099	23,454	285,035
Exchange differences on translation of foreign currency net investment in subsidiaries	-	-	-	-	-	-	(590)	(590)
Net income recognised directly in equity	-	-	-	-	-	-	(590)	(590)
Net income recognised in income statement	-	-	-	-	-	7,724	-	7,724
Total recognised income and expense	-	-	-	-	-	7,724	(590)	7,134
Issue of shares	16	182	-	-	-	-	-	198
Purchase of shares	-	-	-	(1,254)	-	-	-	(1,254)
Exercise of options	-	-	-	4,537	-	(4,537)	-	-
Dividends paid	-	-	-	-	-	(12,849)	-	(12,849)
Share based payments	-	-	-	-	-	1,296	-	1,296
At 31 July 2009	17,332	46,644	2,248	(3,168)	76,907	116,733	22,864	279,560

Notes to the interim results

16 Related party transactions

There were no related party transactions within the period.

17 Risks

Global Economic Conditions

There is a high degree of uncertainty in the global economy, with issues around government and bank liquidity, business failures, and rising unemployment rates. We recognise that all of these factors may have an impact on our customers' willingness or ability to spend.

Our trading performance to date suggests that compared to some sectors of retailing we are not being as significantly impacted by these wider economic issues. We will continue to put forward compelling product offers to meet the more value conscious demands of our consumers.

Technology

As with music and DVD entertainment, the opportunity exists for pc and video games to be distributed digitally via the internet. Pc games which tend to have smaller file sizes are available from a number of websites whereas video games digital content is offered in a limited way via official format channels, e.g. Microsoft's Xbox Live service.

As broadband technology improves there is a risk that more gamers start playing their games online. This will reduce the number of people buying boxed product from retailers such as ourselves.

Given the ever increasing size of pc and video games (up to 50Gb), the existing broadband infrastructure in all of the countries in which we operate is not currently sufficient to allow total online play. Additionally, we have recognised the increasing prominence of eCommerce and digital downloading and we have invested in state-of-the-art eCommerce websites.

Competition

The pc and video games market has become an increasingly attractive proposition for retailers. We have seen new entrants to the market place, including specialists, existing generalists and supermarkets and online players.

We believe that the specialist has all of the attributes to succeed in the pc and video games market place. We measure our stores' performance against specific KPIs to ensure our proposition is always appealing and relevant to consumers.

Seasonality

The Group's business is 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.

The Group works closely with suppliers to secure stock and implement high profile preorder campaigns in advance of all major releases. The Group also undertakes extensive marketing campaigns to drive consumer awareness, and flexes headcount in store to maximise the sales potential.

Reputation

As a specialist retailer our customers demand that we stock the broadest range of product. This means that we deal with a variety of video games, for example age restricted products. Mis-selling such titles is illegal. To mitigate any issues that may arise through the mis-selling of these games we employ the very highest levels of training throughout our organisation.

Notes to the interim results

18 This Interim Report was approved by the Board of Directors on 23 September 2009

The results for the six months ended 31 July 2009 are unaudited. The financial information for the year ended 31 January 2009 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 31 January 2009 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for the year ended 31 January 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(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 Directors' 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 2009 Annual Report and Accounts.

By order of the Board

Ben White
Director
23 September 2009

INDEPENDENT REVIEW REPORT TO THE GAME GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2009 which comprises the unaudited condensed consolidated statement of comprehensive income, balance sheet, and statement of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect to half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Mr David Eagle (senior statutory auditor)
For and on behalf of BDO Stoy Hayward LLP, statutory auditor
London
23 September 2009

DIRECTORS AND ADVISERS

Directors

Peter Lewis non-executive Chairman

Lisa Morgan chief executive

Ben White ACA group finance director

Terry Scicluna chief operating officer for the UK and Ireland

Christopher Bell senior non-executive director

Jean-Paul Giraud non-executive director

Ishbel Macpherson non-executive director

Dennis Woodside non-executive director

Secretary

Vivienne Hemming ACIS

Registered office

Unity House, Telford Road, Basingstoke, RG21 6YJ

Stockbrokers

Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2NT

Oriel Securities Limited, 125 Wood Street, London EC2V 7AN

Principal Bankers

The Royal Bank of Scotland plc, Thames Valley Corporate Banking Centre, Abbey Gardens, 4 Abbey Street, Reading RG1 3BA

Independent auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

Registrars and transfer office

Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA

Corporate website

www.gamegroup.plc.uk

Registered number

875835