GAME

THE GAME GROUP PLC

GAME

Interim Results for the six months ended 31 July 2005

Highlights

Interim Results for the six months ended 31 July 2005

	2005 £m	2004 £m
Group Turnover	220.8	213.0
Gross profit margin (%)	28.9	30.3
Operating loss before exceptional costs	10.3	3.6
Loss before tax	14.7	3.5
Basic loss per share before exceptionals (pence)	2.31	0.73
Basic loss per share	3.19	0.73
Interim dividend per share (pence)	1.15	1.00

Key points

- Accelerated store opening programme in Continental Europe with over 295 own and franchise stores and 410 stores in the UK expected to be trading for the key Christmas season
- As anticipated like for like turnover in the first half down by 5.4% resulting from the lack of major releases in the first half and the generally tough retail environment
- Increased interim dividend by 15% reflecting the Board's confidence in the future
- Successful launch of Sony PSP launched on 1 September with demand still exceeding supply albeit subsequent replenishment has been limited
- Improved trading performance with like for like sales down by 4.4% since 1 August 2005 and total Group sales up by 4.3%

Peter Lewis, Chairman, said:

"As I outlined in April and in our trading update in July, 2005 has been and continues to be a transitional year. The significant price deflation as the current generation of consoles reach maturity, the lack of hardware launches and the tough retail environment have resulted in significant first half losses.

We have made strategic investments of £17.2m in the infrastructure of the business through new store openings, store refits and the continued expansion in Europe to cement our market leading position ahead of the next generation console launches. The second half offers better opportunities given the strong launch sales of PSP and the solid Christmas software line up.

The benefits of our investment will come through beginning in 2006 with a steady supply of the Sony PSP, Microsoft Xbox 360, the first next generation console which launches in December 2005, then the Sony Playstation 3 and Nintendo Revolution set to follow. These new platforms will greatly increase demand for video games and the Board's confidence in the Group's future is reinforced by the decision to increase the interim dividend by 15%."

Chairman's Report

to the owners for the six months to 31 July 2005

Dear Owner

Results

As I outlined in April and in our trading update in July, 2005 has been and continues to be a transitional year. The significant price deflation as the current generation of consoles reach maturity, the lack of hardware launches and the tough retail environment have resulted in significant first half losses.

The Group has made an operating loss before interest and exceptional costs of £10.3m in the first half of the year compared to a loss of £3.6m in the previous year.

Group turnover for the six months ended 31 July 2005 was £220.8 m (£213.0m). In the period, like for like ('lfl') sales decreased by 5.4%. As the Board indicated in July, the gross margins decreased by 146 basis points compared to the corresponding period last year primarily as a result of cyclical deflation in software selling prices which is consistent with the previous product cycle.

The loss per share before exceptional items was 2.31p (0.73p). The exceptional charge of £3.0m comprises £2.5m in respect of the settlement of the legal claim arising from the 2001 acquisition of our French business and £0.5m of costs relating to the bid approach earlier this year. The loss before tax was £14.7m (£3.5m). Basic loss per share was 3.19p (0.73p).

Your Board is increasing the interim dividend by 15% to 1.15p per share reflecting our confidence in the medium term outlook for the Group.

Share buyback

In the period the Company exercised its authority to buy back shares and purchased 4.1m shares at an average price of 79.4p per share for cancellation. At our Annual General Meeting on 6 July the Board renewed its authority to buy back up to 9.9% of the Issued Share Capital.

Acquisitions

In July 2005 the Group acquired the French video game retailer Addon SA and its subsidiary companies for £4.7m. The acquisition provides GAME with 10 leasehold properties plus a further 11 franchise stores. The properties have a strong geographic fit with the existing GAME portfolio in France.

Business overview

Our market position

GAME has strengthened its position as the number one retailer of video games in Europe by investing significantly in store openings and refurbishment. The Group is uniquely positioned in four key European territories – UK, France, Spain and Scandinavia – as we approach the launch of the next generation consoles.

Store portfolio

The Group has undertaken an accelerated opening programme in the first half of the year. We have opened or acquired 37 stores and closed 5 stores as part of our ongoing portfolio management. We have also acquired 11 franchises in France with the Addon acquisition, bought in 2 and closed 8 of our franchise stores in Spain.

	At 31 July 2005 Number	At 31 July 2004 Number	At 31 January 2005 Number
Company owned and concessions			
UK and Ireland	397	388	398
Continental Europe	202	140	169
Franchises	54	58	53
Total outlets	653	586	620

We expect to have 410 stores in UK and Ireland, as well as 250 stores and 45 franchises in Continental Europe ahead of the key Christmas trading period. We will continue to review suitable acquisitions. We are committed to rapidly opening new stores in our key markets and we anticipate that our total capital expenditure for the year will be around £30m excluding acquisitions.

For 2006/07 we expect the future annual pace of openings to be around 15 stores in the UK and around 50 stores in Continental Europe. Excluding acquisitions the future annual capital expenditure for store openings, refurbishment and relocation in our existing markets will be around £20m.

UK and Ireland

Our stores in the UK and Ireland have performed well in a tough retail environment and we have maintained our market leading position.

We have continued to develop our consumer appeal through a very high standard of customer service and a uniquely broad product range and offers. The market has an ever increasing number of participants across the retailing spectrum, however, we believe that our specialist focus and scale provide us with a major competitive advantage.

We have new hardware formats coming to market and we continually review our customer offering. In this light we have discontinued the sale of DVD’s to provide additional space in our stores for the Sony PSP.

Continental Europe

The total revenues from Continental Europe of £50.3m (£37.9m) represented 22.8% of group revenues for the period up from 17.8% in the prior year.

In France our total revenues increased by 27.1% to £20.7m. We are pleased with the progress in the business and we will open between 20 to 25 stores in France this year.

In Spain our total revenues increased by 39.5% to £20.0m. We will open between 30 to 35 stores in Spain this year and will strengthen our position as the number 1 specialist in the market.

We are significantly growing our share in both France and Spain and should end the year with over 100 owned and franchise stores in each market.

In Scandinavia our total revenues grew by 33.1% to £9.6m. We are a leading player in this market which continues to be very price competitive. We expect to reduce our trading losses in this region but remain cautious about local store openings in the near future.

We remain on track for these businesses to grow profits in aggregate for the financial year 2006.

Treasury

Our net debt as at 31 July 2005 was £66.9m (31 July 2004 – £19.8m) (31 January 2005 – £8.5m).

The increase in net debt of £58.4m from 31 January 2005 is largely attributable to net cash outflow from operating activities of £34.1m, and capital expenditure including acquisitions of £16.7m. The Board is confident that investing in the business ahead of the next generation of consoles will optimise returns for shareholders.

We have continued to buy back shares at a cost of £3.3m (£nil) for the repurchase of 4.1m shares.

The Board is committed to effective treasury management and utilisation of our balance sheet.

Staff and management

I would like to thank our staff and management for their tireless efforts and continued enthusiasm.

Your Board

As previously announced, Mr William Slee (Senior non-executive director) had indicated his intention to reduce the number of his non-executive directorships and retired from the Board on 25 September 2005. I would like to thank him both personally and on behalf of the Board for his contribution throughout his time with us. A replacement appointment will be made in due course.

Current and future trading

In the second quarter and into August, slow trading compounded by price deflation on hardware and software resulted in significant lfl declines. However, the Sony PSP launched on 1 September and was well received with all of our stocks selling out rapidly. Replenishment of these initial stocks has been limited but we anticipate improved availability in the run up to Christmas.

As a result for the 8 weeks to 24 September total group lfl sales were down by 4.4% with the UK and Ireland lfl sales down by 7.9% and Continental Europe lfl sales up by 13.7%. Total group sales for the same period were up by 4.3% with the UK and Ireland down by 6.1% and Continental Europe up by 58.7%.

We have made strategic investments of £17.2m in the infrastructure of the business through new store openings, store refits and the continued expansion in Europe to cement our market leading position ahead of the next generation console launches. The second half offers better opportunities given the strong launch sales of PSP and the solid Christmas software lineup.

The benefits of our investment will come through beginning in 2006 with a steady supply of the Sony PSP, Microsoft Xbox 360, the first next generation console which launches in December 2005, then the Sony Playstation 3 and Nintendo Revolution set to follow. These new platforms will greatly increase demand for video games and the Board's confidence in the Group's future is reinforced by the decision to increase the interim dividend by 15%.

Peter Lewis
Chairman

27 September 2005

Unaudited Consolidated Income Statement

for the six months ended 31 July 2005

	Notes	**Six months ended 31 July 2005 Unaudited £'000**	Six months ended 31 July 2004 Unaudited £'000	Year ended 31 January 2005 Unaudited £'000
Turnover	2	**220,846**	212,959	576,586
Cost of sales		**157,069**	148,358	400,070
Gross profit		**63,777**	64,601	176,516
Other operating expenses	3	**77,081**	68,187	146,720
Operating (loss)/profit before exceptional costs		**(10,329)**	(3,586)	29,796
Exceptional costs	3	**(2,975)**	–	–
Operating (loss)/profit		**(13,304)**	(3,586)	29,796
Interest receivable		**28**	96	238
Interest payable		**(1,376)**	(7)	(1,013)
(Loss)/profit before taxation		**(14,652)**	(3,497)	29,021
Taxation (credit)/charge	4	**(3,864)**	(946)	9,128
(Loss)/profit for the period		**(10,788)**	(2,551)	19,893
(Loss)/earnings per share – basic	6	**(3.19p)**	(0.73p)	5.74p
– diluted	6	**(3.19p)**	(0.73p)	5.72p

Unaudited Consolidated Balance Sheet

as at 31 July 2005

	Notes	**As at 31 July 2005 Unaudited £'000**	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Non current assets				
Intangible fixed assets	7	**94,246**	90,008	91,131
Property, plant & equipment	8	**84,644**	69,003	75,384
Deferred tax asset		**778**	670	151
		179,668	159,681	166,666
Current assets				
Stocks		**58,269**	48,969	63,009
Trade and other receivables	9	**30,684**	24,213	21,009
Cash and cash equivalents		**6,477**	1,838	7,887
		95,430	75,020	91,905
Current liabilities				
Trade and other payables	10	**64,218**	72,708	86,981
Short term borrowings		**51,833**	4,627	691
Current portion of long term borrowings	11	**2,914**	2,424	2,326
		118,965	79,759	89,998
Net current (liabilities)/assets		**(23,535)**	(4,739)	1,907
Total assets less current liabilities		**156,133**	154,942	168,573
Non current liabilities				
Long term borrowings	11	**18,584**	14,630	13,366
Leasehold property incentives		**3,016**	3,093	3,207
Net assets		**134,533**	137,219	152,000
Capital and reserves				
Called up share capital		**16,838**	17,439	17,008
Share premium account		**40,603**	40,022	40,218
Capital redemption reserve		**2,223**	1,560	2,016
Shares held in trust		**(963)**	–	(963)
Merger reserve		**76,907**	76,907	76,907
Profit and loss account	13	**(1,171)**	2,946	16,336
Foreign exchange reserve		**96**	(1,655)	478
Equity shareholders' funds		**134,533**	137,219	152,000

Approved by the Board on 27 September 2005

M Long
Director

Unaudited Consolidated Cash Flow Statement

for the six months ended 31 July 2005

	Notes	**Six months ended 31 July 2005 Unaudited £'000**	Six months ended 31 July 2004 Unaudited £'000	Year ended 31 January 2005 Unaudited £'000
Cash flows from operating activities				
Operating (loss)/profit		(13,304)	(3,586)	29,796
Share based remuneration		646	403	981
Depreciation		5,507	4,836	9,996
Loss/(Profit) on disposal of non current assets		251	207	(480)
Impairment of assets/goodwill		226	–	1,492
Market value movement on financial instrument		125	(117)	110
		(6,549)	1,743	41,895
Increase in trade and other receivables		(6,125)	(1,488)	(1,828)
Decrease/(increase) in stocks		6,199	9,397	(4,480)
Decrease in trade and other payables		(23,060)	(16,559)	(2,907)
(Decrease)/increase in leasehold incentives		(191)	427	596
Cash generated from operations		(29,726)	(6,480)	33,276
Interest paid		(1,251)	(124)	(1,344)
Corporation tax paid		(3,164)	(3,209)	(8,115)
Net cash from operating activities		**(34,141)**	**(9,813)**	**23,817**
Cash flows from investing activities				
Acquisitions	14	(5,031)	(1,602)	(2,530)
Purchase of property, plant & equipment		(11,973)	(14,118)	(25,007)
Purchase of intangible assets		(196)	(117)	(599)
Proceeds from sale of equipment		509	76	484
Interest received		28	96	238
Net cash used in investing activities		**(16,663)**	**(15,665)**	**(27,414)**
Cash flows from financing activities				
Proceeds from issue of share capital		420	927	1,148
Share buyback		(3,283)	–	(7,107)
Proceeds from/(repayments of) long term borrowings		5,358	(501)	(1,746)
Repayments of short term borrowings		–	(180)	(301)
Payment of finance lease liabilities		(161)	(271)	(427)
Dividends paid		(4,082)	(5,201)	(8,689)
Net cash used in financing activities		**(1,748)**	**(5,226)**	**(17,122)**
Net decrease in net cash and cash equivalents		**(52,552)**	**(30,704)**	**(20,719)**
Cash and cash equivalents at beginning of period		7,196	27,915	27,915
Cash and cash equivalents at end of period	12	**(45,356)**	**(2,789)**	**7,196**

Notes to the Interim Results

1 Accounting policies

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 2006. 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. The interpretations that will be applicable at 31 January 2006 are not known with certainty at the time of preparing the interim report. These figures may therefore require amendment to change the basis of accounting or presentation of certain financial information, before their inclusion in the IFRS financial statements for the year ending 31 January 2006.

The accounting policies used in preparing the interim report are as set out in the statutory accounts for the year ended 31 January 2005 amended for the changes resulting from IFRS conversion detailed in the announcement dated 20 July 2005. A full restatement of these policies and reconciliation of the resultant changes will be disclosed in the financial statements for the year ended 31 January 2006, which will be the Group's first full set of IFRS financial statements.

Transition to IFRS

The Group's financial statements for the year to 31 January 2006 will be the first annual financial statements that comply with IFRS. The Group has applied IFRS 1 in preparing this consolidated interim report. The Group's transition date is 1 February 2004 and its IFRS adoption date is 31 January 2005. In preparing this interim report in accordance with IFRS 1, the Group has applied the mandatory exceptions from full retrospective application of IFRS.

2 Turnover and operating profit

	United Kingdom & Ireland 31 July 2005 £'000	**Rest of Europe 31 July 2005 £'000**	United Kingdom & Ireland 31 July 2004 £'000	Rest of Europe 31 July 2004 £'000	United Kingdom & Ireland 31 January 2005 £'000	Rest of Europe 31 January 2005 £'000
Turnover	**170,529**	**50,317**	175,105	37,854	465,436	111,150
Cost of sales	**120,253**	**36,816**	120,382	27,976	317,364	82,706
Gross profit	**50,276**	**13,501**	54,723	9,878	148,072	28,444
Other operating expenses	**58,358**	**15,748**	55,829	12,358	117,028	29,692
Operating (loss)/profit before exceptional costs	**(8,082)**	**(2,247)**	(1,106)	(2,480)	31,044	(1,248)
Exceptional costs	**2,975**	**–**	–	–	–	–
Operating (loss)/profit	**(11,057)**	**(2,247)**	(1,106)	(2,480)	31,044	(1,248)

The operating loss for the rest of Europe for the year ended 31 January 2005 is stated after an asset impairment charge of £1,492,000.

Notes to the Interim Results continued

2 Turnover and operating profit (continued)

	Six months ended 31 July 2005 Unaudited £'000	Six months ended 31 July 2004 Unaudited £'000	Year ended 31 January 2005 Unaudited £'000
Turnover by territory			
United Kingdom and Ireland	**170,529**	175,105	465,436
France	**20,724**	16,306	45,130
Spain	**19,973**	14,319	43,707
Scandinavia	**9,620**	7,229	22,313
	220,846	212,959	576,586
Stores by territory			
United Kingdom and Ireland	**397**	388	398
France	**78**	60	67
Spain	**60**	40	49
Scandinavia	**54**	40	53
	589	528	567
Trading square footage by territory			
United Kingdom and Ireland	**495,757**	484,229	497,340
France	**85,951**	68,524	74,929
Spain	**59,003**	41,484	48,535
Scandinavia	**51,447**	41,813	51,285
	692,158	636,050	672,089

Spanish turnover includes non retail related revenue of £5,023,000 (2004 interim: £4,563,000; full year: £13,153,000).

French stores details for the period exclude the ten Addon stores acquired on 26 July 2005.

3 Other operating expenses

	Six months ended 31 July 2005 Unaudited £'000	Six months ended 31 July 2004 Unaudited £'000	Year ended 31 January 2005 Unaudited £'000
Selling and distribution	**62,864**	57,833	125,516
Administrative expenses	**14,217**	10,354	21,204
	77,081	68,187	146,720

Administration expenses include exceptional costs of £2,975,000 in relation to the settlement of the legal dispute regarding the acquisition of ABC Games International SA and costs related to the aborted corporate discussions.

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 2005 Unaudited £'000	Six months ended 31 July 2004 Unaudited £'000	Year ended 31 January 2005 Unaudited £'000
Current year			
UK corporation tax	**(3,387)**	(974)	8,215
Adjustments in respect of prior periods	**–**	–	(300)
Overseas tax payable	**5**	6	673
Total current tax	**(3,382)**	(968)	8,588
Deferred tax:			
Origination and reversal of timing differences	**(482)**	22	540
	(3,864)	(946)	9,128

Notes to the Interim Results continued

5 Dividends

	Six months ended 31 July 2005 Unaudited £'000	Six months ended 31 July 2004 Unaudited £'000	Year ended 31 January 2005 Unaudited £'000
Ordinary dividends			
Interim proposed 1.15p per ordinary share (2004: 1.00p)	**–**	–	3,488
Final 1.20p per ordinary share (2004: 1.50p)	**4,082**	5,201	5,201
	4,082	5,201	8,689

The interim dividend in relation to the period ended 31 July 2005 was declared on 27 September 2005 and is payable on 25 November 2005 to shareholders on the register on 4 November 2005. This dividend is therefore not included above.

6 (Loss)/earnings per share

The calculation of loss per share for the six months ended 31 July 2005 is based on the loss after taxation of £10,788,000 (2004 interim: loss after taxation of £2,551,000; full year: profit after taxation of £19,893,000). The calculation of the earnings per share before exceptional costs is based on a loss of £7,813,000 (2004 interim: loss of £2,551,000; full year: profit of £19,893,000). The calculation of basic loss per share is based on a weighted average number of shares in issue during the period of 338,591,467 (2004 interim: 348,493,095; full year: 346,434,502). The calculation of diluted loss per share is based on a weighted average number of shares in issue during the period of 338,591,467 (2004 interim: 348,493,095; full year 347,667,428).

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

	Basic Number	**Effect of share options Number**	**Diluted Number**
31 July 2005	**338,591,467**	**–**	**338,591,467**
31 July 2004	348,493,095	–	348,493,905
31 January 2005	346,434,502	1,232,926	347,667,428

7 Intangible fixed assets

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Cost			
At beginning of period	**120,290**	116,379	116,379
Acquisitions	**–**	19	671
Additions	**3,772**	2,007	3,158
Foreign exchange adjustment	**(44)**	(363)	96
Disposals	**(549)**	(1)	(14)
At end of period	**123,469**	118,041	120,290
Amortisation			
At beginning of period	**29,159**	27,776	27,776
Acquisitions	**–**	1	664
Charge for the period	**371**	323	702
Foreign exchange adjustment	**(14)**	(66)	27
Disposals/impairments	**(293)**	(1)	(10)
At end of period	**29,223**	28,033	29,159
Net book value	**94,246**	90,008	91,131

Notes to the Interim Results continued

8 Property, plant and equipment

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Cost			
At beginning of period	**116,748**	97,142	97,142
Acquisitions	**3,292**	31	463
Additions	**12,071**	14,228	25,789
Foreign exchange adjustment	**(102)**	(742)	290
Disposals	**(2,760)**	(1,742)	(6,936)
At end of period	**129,249**	108,917	116,748
Depreciation			
At beginning of period	**41,364**	37,036	37,036
Acquisitions	**255**	–	418
Charge for the period	**5,136**	4,513	9,294
Foreign exchange adjustment	**(120)**	(178)	60
Disposals	**(2,030)**	(1,457)	(6,936)
Impairment	**–**	–	1,492
At end of period	**44,605**	39,914	41,364
Net book value	**84,644**	69,003	75,384

9 Trade and other receivables

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Amounts falling due within one year:			
Trade debtors	**6,135**	4,783	8,970
Other debtors	**2,023**	805	1,730
VAT	**1**	18	–
Corporation tax	**4,241**	3,085	–
Financial instrument	**5**	357	130
Prepayments and accrued income (principally rent & rates)	**18,279**	15,165	10,179
	30,684	24,213	21,009

10 Trade and other payables

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Trade creditors	**43,382**	46,728	53,094
Other creditors	**2,670**	2,227	1,725
Taxation and social security costs	**1,769**	2,040	2,198
VAT payable	**4,350**	3,774	12,300
Corporation tax	**–**	–	2,369
Leasehold property incentives	**389**	342	389
Accruals and deferred income	**11,658**	17,597	14,906
	64,218	72,708	86,981

11 Long term borrowings

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Current portion			
Bank loans	**2,709**	2,185	2,091
Obligations under finance leases and hire purchase contracts	**205**	239	235
	2,914	2,424	2,326
Non current portion			
Bank loans	**17,955**	13,948	12,702
Other loans	**495**	495	495
Obligations under finance leases and hire purchase contracts	**134**	187	169
	18,584	14,630	13,366

Notes to the Interim Results continued

12 Net debt

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Cash and cash equivalents	**6,477**	1,838	7,887
Short term borrowings	**(51,833)**	(4,627)	(691)
Net cash and cash equivalents	**(45,356)**	(2,789)	7,196
Current portion of long term borrowings	**(2,914)**	(2,424)	(2,326)
Long term borrowings	**(18,584)**	(14,630)	(13,366)
Net debt	**(66,854)**	(19,843)	(8,496)

13 Profit and loss account

	As at 31 July 2005 Unaudited £'000	As at 31 July 2004 Unaudited £'000	As at 31 January 2005 Unaudited £'000
Opening balance as previously reported under UK GAAP		6,379	6,379
Introduction of impairment of non current assets		(1,009)	(1,009)
Introduction of market value on financial instrument		240	240
Revision to historic leasehold incentives		(765)	(765)
Amendment to timing of dividend payable recognition		5,201	5,201
Deferred tax restatement		249	249
Opening balance restated under IFRS	**16,336**	10,295	10,295
Retained (loss)/profit for period	**(14,870)**	(7,752)	11,204
Reversal of share based payments charge	**646**	403	981
Share buyback	**(3,283)**	–	(6,144)
At end of period	**(1,171)**	2,946	16,336

14 Acquisitions

Current period acquisitions

On 26 July 2005 the Group acquired the French video game retailer Addon. Addon operates ten owned stores and a further eleven franchises. During the first half of the year the Group also acquired the trade and assets of two further CentroMAIL franchises in Spain and an additional element of deferred consideration accrued on the Gameplay (GB) Ltd acquisition. The provisional fair value of assets acquired are set out below.

	Addon acquisition	Other acquisitions	Total acquisitions
Property, plant and equipment	1,532	–	**1,532**
Inventories	1,403	56	**1,459**
Trade and other receivables	726	–	**726**
Trade and other payables	(1,773)	–	**(1,773)**
Short term borrowings	(58)	–	**(58)**
Long term borrowings	(513)	–	**(513)**
Deferred tax asset	145	–	**145**
Intangible fixed assets	3,193	262	**3,455**
Total purchase price	4,655	318	**4,973**
Cash and cash equivalents	58	–	**58**
Cash flows on acquisition net of cash acquired	4,713	318	**5,031**

Prior year acquisitions

In the previous year the Group acquired Gameplay (GB) Ltd, an award winning on-line and mail order retailer of video games, together with the trade and assets of three CentroMAIL franchises in Spain.

15 This interim report was approved by the Board of Directors on 27 September 2005

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

A copy of the statutory accounts for the year ended 31 January 2005, prepared under UK GAAP, has been delivered to the Registrar of Companies and contained an unqualified auditor's report.

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.

Independent Review

report to The Game Group Plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 July 2005 on pages 6 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1, the next annual financial statements of the Company will be prepared in accordance with International Financing Reporting Standards as adopted for use in the EU. This interim report has been prepared in accordance with the basis set out in note 1. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is a possibility that the directors may determine that some changes to those policies are required when preparing the full annual financial statements for the first time in accordance with IFRS, since the IFRS and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 January 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2005.

BDO Stoy Hayward LLP
Chartered Accountants
London

27 September 2005

Directors and Advisers

Directors	Peter Lewis *non-executive Chairman* Martin Long ACIS *group chief executive* Lisa Morgan *deputy chief executive* David Thomas ACA *group finance director* William Slee *senior non-executive director* Christopher Bell *non-executive director* Jean-Paul Giraud *non-executive director*
Secretary	David Thomas ACA
Registered Office	Unity House Telford Road Basingstoke RG21 6YJ
Stockbrokers	Deutsche Bank AG London Winchester House 1 Great Winchester Street London EC2N 2DB
Bankers	National Westminster Bank Plc Solent Corporate Business Centre Notebeme House, 84 High Street Southampton SO14 2NT
Auditors	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Registrars and Transfer office	Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU
Corporate web site	www.gamegroup.plc.uk