

Corporate governance statement



Peter Lewis, Chairman

There is a commitment to high standards of corporate governance throughout the Group. The Board is structured to enable effective and efficient decision making and allow the Directors to discharge their duty to promote the success of the Company for the benefit of its shareholders.

At the date of this report, the principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the Combined Code on Corporate Governance issued in June 2008 (the 'Combined Code'). Following the publication in May 2010 of the UK Corporate Governance Code (the 'Governance Code'), which will replace the Combined Code for the Company's 2011/12 financial year, the Company is in the process of reviewing its corporate governance procedures and already complies with the majority of the provisions of the new Governance Code. The Board aims to be compliant with all provisions by 31 January 2012 and, for example, plans to introduce annual election of all Directors at the 2011 Annual General Meeting.

Each of the Board's Committees has made progress in their areas of responsibility as described in this report. In line with our usual practice, I am happy to make myself available to shareholders at the Annual General Meeting on 15 June 2011.

As announced on 27 April 2011, I will retire from the Board at the conclusion of the Annual General Meeting in June. Our current senior Independent Director, Christopher Bell will take over as Chairman. I am delighted that Christopher will be taking over as Chair, he will bring a wealth of knowledge and expertise to the role.

A handwritten signature in black ink, appearing to read 'Peter Lewis'.

Peter Lewis
Chairman

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This report, including the report from the Audit Committee and the Directors' Remuneration Report, describes how the Board applied the principles of good governance, as contained in section 1 of the Combined Code, and seeks to demonstrate how those principles have been applied during the year under review.

The Board confirms that the Company and the Group have complied during the year ended 31 January 2011 with the principles set out in Section 1 of the Combined Code, except that the Board notes that the Chairman had been a Director for more than nine years but considered that Peter Lewis made a significant contribution to the Company and that his period of office did not impair his independence.

The Combined Code is available at the Financial Reporting Council's website www.frc.org.uk

The Board is accountable to the Company's shareholders for good governance and the statements set out below describe how the principles identified in the Combined Code are applied by the Group.

The information required by the Disclosure and Transparency Rule ('DTR') 7.1 is set out in the Audit Committee section on pages 41 to 42. The information required by DTR7.2 is contained in this Corporate governance statement other than that required by DTR7.2.6 which is set out in the Report of the Directors at page 45.

Directors

The Board consists of a Non Executive Chairman, Peter Lewis, four other Non Executive Directors and two Executive Directors, being the Chief Executive and Group Finance Director. During the year Ian Shepherd was appointed Chief Executive of the Company and Lisa Morgan and Terry Scicluna stepped down from their positions as Chief Executive and Chief Operating Officer respectively. David Mansfield was also appointed as Non Executive Director on 16 April 2010.

Christopher Bell acts as Senior Independent Director. At the Board's request, from 21 April to 28 June 2010, Mr Bell temporarily took on additional responsibilities whilst a new Chief Executive was sought following the departure of Lisa Morgan. The Board believes that the additional responsibility does not compromise his independence. During this period, Ishbel Macpherson took on the role of Senior Independent Director. Concerns relating to the executive management of the Company or the performance of the other Non Executive Directors may be raised with the Senior Independent Director. The Senior Independent Director is also available to shareholders if they have concerns, which contact through the normal channels of Chairman, Chief Executive or Group Finance Director, have failed to resolve or for which such contact is inappropriate. The Senior Independent Director is also available to listen to the concerns of employees.

All of the Non Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. It is also considered that the composition of the Board is balanced and not dominated by any one member. The Board have approved a written statement outlining the division of responsibility between the role of the Chairman and Chief Executive, which is available to view on the Corporate Governance section on the Company's website.

Biographies of Board members appear on pages 36 to 37. These indicate the seniority and range of business experience which are essential, to manage effectively, a business of the size and complexity of the Group. It also includes details of committee chairmanships and other positions held.

The full Board meets at least six times each year and more frequently where business needs require. Whilst the Board has delegated normal operational activities to the Executive Directors and other senior management, including decisions about property and contracts where they do not exceed the delegated authorities set by the Board, it retains a schedule of matters reserved for its decision, including inter alia statutory matters; approval of financial statements and dividends; appointments and terminations of Directors, officers and auditors; appointments of committees and setting of terms of reference; review and approval of Group

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performance against budgets; approving risk management strategy and material contracts; and the determining of authority levels within which management is required to operate. A copy of the schedule of matters reserved for the Board is available to view on the Corporate Governance section on the Company's website.

There is an agreed procedure for Directors to take independent professional advice at the Company's expense. This is in addition to the access which every Director has to the Company Secretary. The Company Secretary is charged by the Board with ensuring that Board procedures are followed. The minutes of all meetings of the Board and each committee are taken by the Company Secretary who ensures that any unresolved concerns of the Directors are recorded in the minutes.

Appropriate Directors' and Officers' insurance cover is arranged and maintained via the Company's insurance broker, Aon Group, and its terms are reviewed annually.

When new members are appointed to the Board, they are provided with advice from the Company Secretary and external advisers in respect of their role and duties as a public company director.

To enable the Board to function effectively and the Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

Appointments to the Board

The Board ensures that plans are in place for the orderly succession of appointments to the Board and to senior management; taking into account the need to maintain an appropriate balance of skills. Appointments to the Board of both Executive and Non Executive Directors are considered by the Nomination Committee. The recommendations of the Nomination Committee are ultimately made to the full Board, which considers them before any appointment is made. The Remuneration Committee considers any remuneration package before it is offered to a potential appointee. The members of the Audit, Remuneration and Nomination Committees are set out on pages 41 to 42.

This procedure was utilised during the year in the appointment of Ian Shepherd as Chief Executive. The Nomination Committee met initially to set out the criteria for the role. The Committee then worked with external consultants to review, shortlist and interview a number of candidates prior to making their recommendation to the Board to recruit Ian Shepherd. The Nomination Committee followed a similar procedure for the appointment of David Mansfield as Non Executive Director during the year.

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. In addition, following a decision by the Board and in anticipation of the Governance Code, all Directors are required to submit themselves for annual re-election.

Non Executive Directors are appointed for an initial period of three years. The Board may invite a Non Executive Director to serve a further term after three years following a review at the end of this period, subject to re-election.

The Board, having carried out a performance evaluation process, considers the performance of each of the Directors standing for election and re-election at this year's AGM to be fully satisfactory and is of the opinion that they have demonstrated continued commitment to the role. The Board strongly supports their election and re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report appearing on pages 52 to 62. The members of the Remuneration Committee and the principal terms of reference of the Committee appear on pages 41 to 42.

Meetings with Non Executive Directors

The Chairman holds meetings as required with the Non Executive Directors without the Executive Directors being present.

Individual attendance by Directors at meetings of the Board and of other Committees

Meetings held from 1 February 2010 to 31 January 2011

Director	Board		Audit		Remuneration		Nomination	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Peter Lewis	7	7	-	-	-	-	1	1
Ian Shepherd ¹	4	4	-	-	-	-	-	-
Ben White	7	7	-	-	-	-	-	-
Christopher Bell	7	7	3	3	6	6	1	1
Dana Dunne	7	5	2	2	3	2	1	1
Ishbel Macpherson	7	7	3	3	6	6	1	1
David Mansfield ²	6	5	2	2	3	1	1	1
Lisa Morgan ³	2	0	-	-	-	-	-	-
Terry Scicluna ⁴	3	1	-	-	-	-	-	-

¹ Ian Shepherd was appointed on 28 June 2010.

² David Mansfield was appointed on 16 April 2010.

³ Lisa Morgan stepped down as CEO and resigned as a director on 21 April 2010 and her employment ended on 20 October 2010.

⁴ Terry Scicluna stepped down as COO and his employment ended on 30 June 2010.

Board performance evaluation

In accordance with the requirements of the Combined Code, during the year the Board undertook a formal internal evaluation of its own performance and that of its committees and individual Directors. This review was led by Christopher Bell as the Senior Independent Director at the time of the review and included an evaluation of the Chairman's performance. The Board has resolved to undergo a full external performance evaluation during the current financial year to conclude in the financial year 2012/13.

Audit Committee

The Audit Committee comprises Ishbel Macpherson as Chairman, together with Christopher Bell, Dana Dunne and David Mansfield. The Board is satisfied that the composition of the Audit Committee adheres to the requirements that it should comprise at least three independent Non Executive directors and that at least one member, in Ishbel Macpherson, has recent and relevant financial experience, gained as the Audit Committee Chair for two other listed companies.

The terms of reference of the Audit Committee are available on request and are published on the Company's website.

The Audit Committee's main objectives are, inter alia, to monitor the integrity of the Company's financial statements and any other formal announcements relating to the Company's financial performance; review significant financial reporting judgements contained in such statements or announcements, before submission to, and approval by, the Board, and before clearance by the external auditors; review the Company's internal financial controls and risk management systems; monitor and review the effectiveness of the Company's internal audit function; and review the arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

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The Committee also reviews any matters raised by the auditors. The Chief Executive and the Group Finance Director are invited to attend part of each meeting of this Committee, as are the auditors. The auditors have unrestricted access to the members of the Audit Committee, and the Committee ensures that meetings are used as an open avenue of communication between the external auditors and the Board.

Following a recommendation from the Audit Committee, the Board has adopted a policy in relation to the provision of non-audit services by the auditors, with the objective of ensuring that the provision of such services does not impair the external auditor's independence or objectivity. This includes, inter alia, assessing all relationships with the audit firm, including their partners and staff; assessing the nature and level of fees for non-audit services in relation to the audit fee; obtaining confirmation of independence from the auditors; and ensuring the appropriateness of the firm as providers for non-audit services.

Remuneration Committee

During the year, the Remuneration Committee comprised Ishbel Macpherson, as Chairman, together with Christopher Bell, Dana Dunne and David Mansfield. On 1 February 2011 David Mansfield took over the Chairmanship of this Committee. The work of the Remuneration Committee is covered further in the Directors' Remuneration Report on pages 52 to 62.

Copies of Executive Directors' service contracts and the terms and conditions of appointment of the Non Executive Directors are available for inspection at the Company's office during normal business hours.

The terms of reference of the Remuneration Committee are available on request and are also published on the Company's website.

Nomination Committee

The Nomination Committee comprises Peter Lewis, as Chairman, together with Christopher Bell, Ishbel Macpherson, Dana Dunne and David Mansfield.

It meets as required and makes recommendations to the Board on all Board and Committee appointments, including the selection of Non Executive Directors. The terms of reference of the Nomination Committee are available on request and are also published on the Company's website.

Audit and internal control

The respective responsibilities of the Directors and the auditors in connection with the Annual Report and Accounts are explained on pages 49 to 50 and 64 respectively and the Statement of the Directors on going concern appears on page 44.

The Board of Directors acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness over financial, operating, compliance and risk management activities. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable (but not absolute) assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control during the year by reference to budgets, management accounts, cash flow projections and reports from the internal and external auditors.

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The key procedures that the Directors have established to ensure that internal controls are effective are commensurate with a group of this size, a key control procedure being the day-to-day supervision of the business by the Directors. Other internal control procedures and reviews for effectiveness by the Board include the following:

- preparation, maintenance and review of a Group risk register;
- review of financial, operational and compliance reports from management; and
- review of any significant issues arising from the internal and external audits.

Following the publication of guidance for Directors, Internal Control: Guidance for Directors on the Combined Code, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group. The strategic and operations risks facing the Group in each country of operation have been identified and the appropriateness of the associated direct controls and indirect controls have been assessed. This risk matrix is reviewed and updated on a regular basis. This process has been in place during the period ended 31 January 2011 and up to the date of approval of the accompanying Report and Accounts by the Board. The process is regularly reviewed by the Board and accords with the Turnbull Guidance on Internal Control.

The Group has an internal audit function which focuses primarily on the control of cash and stock losses. All other aspects of our internal control framework, including risk management, process and controls are undertaken externally by KPMG. The Audit Committee consider the focus of the internal function and outsourced work to be appropriate for the business and operations of the Group.

The Audit Committee keeps the scope and cost-effectiveness of the external audit under review.

The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears in note 4 to the financial statements. The non-audit fees were principally paid in respect of tax compliance services and are considered by the Committee not to affect the auditors' independence or objectivity.

Communication with shareholders

The Company attaches importance to the effectiveness of its communications with shareholders. It publishes regular trading statements as well as a full Annual Report. The Company maintains a regular dialogue with institutional shareholders and the financial community. This includes presentations of the preliminary and interim results, regular meetings with major shareholders, participation in stockbrokers' seminars and site visits. The Group holds a variety of investor and analyst meetings in order to improve the financial community's understanding of the Group and to introduce investors to a broader range of management.

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All shareholders can gain access to these and other presentations, as well as to the Annual Report and other information about the Group, on the Investors area of the Company's website, www.gamegroup.plc.uk. Holders of ordinary shares may attend the Company's AGM at which the Company highlights key business developments during the year and at which shareholders have an opportunity to ask questions. The chairmen of the Audit, Remuneration and Nomination Committees are available to answer any questions from shareholders on the work of their committees.

The Company confirms that it sends the AGM notice and relevant documentation to all shareholders at least 20 working days before the date of the AGM. Responsibility for maintaining regular communications with shareholders rests with the executive management team led by the Chief Executive. However, the Board is informed on a regular basis of key shareholder issues, including share price performance, the composition of the shareholder register and City expectations. Independent research is commissioned annually into institutional shareholder perceptions of the Group. The Chairman, the Senior Independent Director and the Non Executive Directors make themselves available to meet with shareholders as required.

Going concern

The Directors have reviewed the financial position of the Group and of the Company and have concluded that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.