

Interim Results for the six months ended 31 July 2001

Highlights

- Turnover up 25% to £143.1m (2000: £114.2m) including like for like sales increase of 23%
- Seasonal operating loss, before goodwill amortisation, reduced to £2m from £3.5m
- Dividend increased by 21% to 0.4p (0.33p)
- European expansion well under way following acquisitions in Spain and Sweden
- Successful share placing, raising £17.3m for European expansion
- Strong start to second half with like for like sales increase of 46% in the 9 weeks to 29 September
- Current industry prospects very exciting, with an exceptional schedule of new software releases in the run up to Christmas

Peter Lewis, Chairman, said:-

“This is a good performance and we continue to make considerable progress on all fronts. Our sales growth since the half year has been strong and with such a big new release schedule ahead of us we are very confident.”

Chairman's account to the Owners on the affairs of their business for the six months to 31 July 2001

Dear Owner,

This was a very active six months in which your Board sought to build quickly on the momentum achieved last year and lay the foundations for sustained future growth. Firstly, the results: the seasonal operating loss, before goodwill amortisation reduced to £2m (2001 £3.5m) including a loss from our new media division of £1.8m (£0.7m loss). Turnover increased by 25% to £143.1m (£114.2m) almost entirely driven by like for like sales growth. The gross margin reduced to 30.4% (32.1%) which was in line with our expectations. This was principally due to increased sales of lower margin consoles, with PlayStation 2 playing a large part. Encouragingly, higher margin software sales inevitably follow the installation of new hardware.

The dividend is increased again, this time by 21% to 0.4p (0.33p) confirming your Board's confidence in the future prospects for your business.

Period Review

In this six months, the principal developments were:-

27 February - acquisition of the assets of the "BarrysWorld" on-line games service for a consideration of £400,000. This was a further logical step in your Group's measured approach to investment in new media and is being used to leverage the inherent strengths of our high street market leadership through expansion of other channels of customer contact.

8 June – acquisition of CentroMAIL, the leading specialist retailer of video games and computer software in Spain, for a total consideration of up to £7.1m, including deferred consideration of £3.5m which is subject to future financial performance targets.

19 and 26 June – purchase of eight stores in Sweden from two vendors for a total of £0.9m. Together with the four stores we established in 1999, our chain is now the largest specialist computer and video games retailer in Sweden.

3 July – placing of 17.2 million new ordinary shares to fund expansion in Continental Europe. These shares were placed at a 3% premium to the average market price at the time.

As a result of all this activity, your Group traded from 486 points of sale at the end of July compared with 353 a year earlier:-

		July 2001	July 2000
EB and GAME Store	- UK and Eire	276	275
Department Store Concessions	- UK	31	21
Sainsburys "in-store"	- UK	75	53
GAME Stores	- Sweden	12	4
CentroMAIL Stores	- Spain	11	-
Confederacion Gaming Salons	- Spain*	2	-
CentroMAIL Franchises	- Spain	59	-
Confederacion Franchised Gaming Salons	- Spain*	20	-
		<u>486</u>	<u>353</u>
		<u><u>486</u></u>	<u><u>353</u></u>

* Pay per play in-situ gaming.

This range of different sales formats is providing your Group with knowledge and experience which will enable us to exploit the appropriate formula as we extend our geographical coverage. In the UK we have already opened 4 more stores since the half year, and a further 12 are planned by the end of the year. In Spain and Sweden, local management are pursuing store growth strategies which may result in further openings during the year.

In product terms, PlayStation 2 dominated the period with a UK installed base already in excess of 750,000 units and a rate of sale which is three times that of the original PlayStation (PSOne) when it was launched in 1995. Nevertheless, the introduction of a portable version of the PSOne has also stimulated strong sales for this six year old format during the period.

Another important product arrival during the first half was the launch of the Gameboy Advance on 22 June. UK sales already exceed 300,000 units and, like PS2, this has made an important contribution to our business and will continue to do so during the second half.

Your Group benefits from its market leadership in the UK. With a more than 30%* market share we play an important role in the games world for customers and suppliers alike. In part this is illustrated by the continuing success of our loyalty card which has increased on average by nearly 16,000 new customers each week in the last 12 months to a total of over 2.8 million (2.0m).

*source: ChartTrack

Treasury

Capital investment in the period was £1.9m (£2.4m). Following the net receipt after expenses of £17.3m from the share placing, cash in hand at 31 July was £8.3m compared with borrowings of

£12.1m a year ago. Our business is seasonal and, as is usual, we expect to generate strong positive cash flow in the second half of the year.

Board and Management

On 26 September we announced that Mr William Slee had been appointed to the Board as a non-executive director. Mr Slee is a Dutch national who has been based in the UK for more than 30 years and has held a variety of senior positions as an investment banker in the City of London, spending 16 years at Schrodgers plc from where he retired as a Group Managing Director and main board member in 1996.

Although it is not conventional to do so in interim statements, your Board holds the contribution to your Group's affairs by staff at all levels in such high esteem, that we continue the practice of giving them a public thank you for all that they do to make our corporate efforts worthwhile for all stakeholders.

Current and Future Trading

We have made an excellent start to the second half with like for like sales up 46% in the nine weeks to 29 September. There is a very strong schedule of new releases for the Christmas season. Your Group expects to benefit particularly from titles for Gameboy Advance, PlayStation 2 and still, PlayStation One. A number of blockbuster titles are being released in the next three months, including such titles as Championship Manager on PC, The Italian Job on PSOne, WWF Smackdown! Just Bring It and Devil May Cry for the PlayStation 2, and of course, in November we have the highly anticipated launch of Harry Potter on PC, PSOne, Gameboy Colour and Gameboy Advance to coincide with the UK release of the film at the box office.

Sony's recently announced price reduction for the PlayStation 2 to £199.99 will be a further boost to our business going forward and, next year, following the launch of Nintendo's GameCube and Microsoft's X-Box in the USA in November of this year, we expect to see the European launch of these two new console formats in the Spring, providing further substantial stimulus to our already buoyant market.

Your Group's new media division (now incorporating Barry'sWorld) is likely to lose a similar amount to last year's £1.9m, with a near breakeven in this second half compared with a loss in the second half of last year of £1.2m. Its prospects for at least break even over the whole of next year are enhanced by a recent move from a free model to a pay model for on-line gameplay. Your Board's consistent attitude to new media has been to view it as an additional marketing tool rather than a replacement for traditional retail channels.

Even in normal times, predictions about the future are always hazardous. Everyone has been affected by the recent terrible events in the United States, events which will have a dreadful personal impact on many people for years to come. At present, while it is not possible to predict their long term effect on consumer demand, it is encouraging to note that in the period since 11 September our sales growth has not been affected. Therefore, whilst being alert to the potential impact of these events, your Board currently expects your Group to continue to build upon these strong results in the second half of the year and to produce a good outcome for the year as a whole.

Yours sincerely

Peter Lewis
Chairman

2 October 2001

**Unaudited consolidated profit and loss account
for the six months ended 31 July 2001**

	Notes	Six months ended 31 July 2001 Unaudited	Six months ended 31 July 2000 Unaudited (restated)	Year ended 31 January 2001 Audited
		£'000	£'000	£'000
Turnover		143,105	114,236	307,138
Cost of sales		99,601	77,518	206,718
Gross profit		43,504	36,718	100,420
Other operating expenses	1	48,145	42,774	91,773
Operating (loss)/profit before goodwill amortisation		(1,963)	(3,503)	13,762
Goodwill amortisation	2	(2,678)	(2,553)	(5,115)
Operating (loss)/profit		(4,641)	(6,056)	8,647
Net interest receivable/(payable)		29	(482)	(789)
(Loss)/profit on ordinary activities before taxation		(4,612)	(6,538)	7,858
Taxation on profit on ordinary activities	3	(630)	(1,300)	4,190
(Loss)/profit on ordinary activities after taxation		(3,982)	(5,238)	3,668
Dividends – equity	4	1,472	1,147	2,298
(Loss)/profit for the period		(5,454)	(6,385)	1,370
(Loss)/earnings per share - basic	5	(1.13p)	(1.51p)	1.06p
- diluted	5	(1.13p)	(1.51p)	1.04p
(Loss)/earnings per share before goodwill amortisation - basic	5	(0.37p)	(0.77p)	2.53p
- diluted	5	(0.37p)	(0.77p)	2.49p
Number of stores trading (including concessions)				
At beginning of period		311	298	298
At end of period		332	300	311

**Unaudited consolidated balance sheet
as at 31 July 2001**

	Notes	As at 31 July 2001 Unaudited	As at 31 July 2000 Unaudited (restated)	As at 31 January 2001 Audited
		£'000	£'000	£'000
Fixed assets				
Intangible	6	97,578	95,944	93,382
Tangible	7	22,642	24,418	24,054
		<u>120,220</u>	<u>120,362</u>	<u>117,436</u>
Current assets				
Stocks		33,057	23,931	26,899
Debtors	8	14,558	12,714	8,535
Cash at bank and in hand		8,319	1,707	15,951
		<u>55,934</u>	<u>38,352</u>	<u>51,385</u>
Creditors: amounts falling due within one year	9	<u>48,004</u>	<u>55,071</u>	<u>56,914</u>
Net current assets/(liabilities)		<u>7,930</u>	<u>(16,719)</u>	<u>(5,529)</u>
Total assets less current liabilities		128,150	103,643	111,907
Creditors: amounts falling due after more than one year	10	4,584	344	448
Provision for liabilities and charges				
Deferred taxation		-	-	158
Accruals and deferred income				
Leasehold property incentives		1,322	1,523	1,450
Net assets		<u>122,244</u>	<u>101,776</u>	<u>109,851</u>
Capital and reserves				
Called up share capital		18,404	17,380	17,439
Share premium account		35,673	18,530	18,791
Other reserves		76,907	76,907	76,907
Profit and loss account		<u>(8,740)</u>	<u>(11,041)</u>	<u>(3,286)</u>
Equity shareholders' funds		<u>122,244</u>	<u>101,776</u>	<u>109,851</u>

**Unaudited consolidated cash flow statement
for the six months ended 31 July 2001**

	Notes	Six months ended 31 July 2001 Unaudited	Six months ended 31 July 2000 Unaudited	Year ended 31 January 2001 Audited
		£'000	£'000	£'000
Net cash (outflow)/inflow from operating activities	11	(16,248)	(11,163)	23,185
Returns on investments and servicing of finance		29	(387)	(617)
Taxation		(1,721)	(1,539)	(3,560)
Capital expenditure and financial investment		(1,618)	(1,209)	(3,821)
Acquisitions		(5,511)	-	-
Equity dividends paid		(1,151)	(727)	(2,189)
Cash (outflow)/inflow before financing		(26,220)	(15,025)	12,998
Financing		18,588	(152)	(7,548)
(Decrease)/increase in cash in the period	12	<u>(7,632)</u>	<u>(15,177)</u>	<u>5,450</u>

Notes to interim results

1 Other operating expenses

	Six months ended 31 July 2001 Unaudited	Six months ended 31 July 2000 Unaudited	Year ended 31 January 2001 Audited
	£'000	£'000	£'000
Selling and distribution	38,721	35,097	73,934
Administrative expenses	9,424	7,677	17,839
	<u>48,145</u>	<u>42,774</u>	<u>91,773</u>

2 Goodwill amortisation

Goodwill arising on acquisitions of subsidiary undertakings is capitalised as an intangible fixed asset and either amortised over the useful life, when this can be identified, or amortised over a period of 20 years or less.

3 Taxation

	Six months ended 31 July 2001 Unaudited	Six months ended 31 July 2000 Unaudited (restated)	Year ended 31 January 2001 Audited
	£'000	£'000	£'000
Current year			
UK corporation tax	-	-	4,548
Adjustments in respect of prior periods	-	-	(58)
Total current tax	-	-	4,490
Deferred tax:			
Origination and reversal of timing differences	(630)	(1,300)	(300)
	<u>(630)</u>	<u>(1,300)</u>	<u>4,190</u>

In the financial year ended 31 January 2001 the Group adopted FRS19: Deferred tax. This has resulted in the restatement of the comparative results with the provision of a taxation credit of £1,300,000 for the six months ended 31 July 2000 and a deferred tax asset at 31 July 2000 of £842,000.

4 Dividends

	Six months ended 31 July 2001 Unaudited	Six months ended 31 July 2000 Unaudited	Year ended 31 January 2001 Audited
	£'000	£'000	£'000
Ordinary dividends			
Interim 0.4p per ordinary share (2000: 0.33p)	1,472	1,147	1,147
Final 0.33p per ordinary share	-	-	1,151
	<u>1,472</u>	<u>1,147</u>	<u>2,298</u>

The interim dividend is payable on 30 November 2001 to shareholders on the register on 2 November 2001.

Notes to the interim results

5 (Loss)/profit per share

The calculation of loss per share for the six months ended 31 July 2001 is based on the loss after taxation of £3,982,000 (2000 interim: loss after taxation of £5,238,000 (restated); full year: profit after taxation of £3,668,000). The calculation of the loss per share before goodwill amortisation is based on a loss of £1,304,000 (2000 interim: loss of £2,685,000 (restated); full year: profit of £8,783,000). The calculation of basic loss per share is based on a weighted average number of shares in issue during the period of 352,832,708 (2000 interim: 347,418,535; full year: 347,665,135). The calculation of diluted loss per share is based on a weighted average number of shares in issue during the period of 352,832,708 (2000 interim: 347,418,555; full year 352,282,811).

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

	<u>Basic</u>	<u>Effect of Share options</u>	<u>Diluted</u>
	Number	Number	Number
31 July 2001	352,832,708	-	352,832,708
31 July 2000	347,418,555	-	347,418,555
31 January 2001	347,665,135	4,617,676	352,282,811

6 Goodwill

	As at 31 July 2001 <u>Unaudited</u> £'000	As at 31 July 2000 <u>Unaudited</u> £'000	As at 31 January 2001 <u>Audited</u> £'000
Net book value at beginning of period	93,382	98,497	98,497
Amortisation for period	(2,678)	(2,553)	(5,115)
Acquisitions	6,896	-	-
Foreign exchange adjustment	(22)	-	-
Net book value at end of period	<u>97,578</u>	<u>95,944</u>	<u>93,382</u>

Goodwill arising in the period relates to acquisitions in Spain and Sweden and the purchase of BarrysWorld (see note 13).

7 Tangible fixed assets

	As at 31 July 2001 <u>Unaudited</u> £'000	As at 31 July 2000 <u>Unaudited</u> £'000	As at 31 January 2001 <u>Audited</u> £'000
Cost			
At beginning of period	47,553	44,262	44,262
Acquisitions (see note 13)	1,090	-	-
Additions	1,854	2,397	5,974
Foreign exchange adjustment	(60)	-	-
Disposals	(1,049)	(1,404)	(2,683)
At end of period	<u>49,388</u>	<u>45,255</u>	<u>47,553</u>
Depreciation			
At beginning of period	23,499	18,195	18,195
Acquisitions (see note 13)	398	-	-
Charge for the period	3,731	3,236	6,740
Foreign exchange adjustment	(12)	-	-
Disposals	(870)	(594)	(1,436)
At end of period	<u>26,746</u>	<u>20,837</u>	<u>23,499</u>
Net book value	<u>22,642</u>	<u>24,418</u>	<u>24,054</u>

Notes to the interim results

8 Debtors

	As at 31 July 2001 Unaudited	As at 31 July 2000 Unaudited (restated)	As at 31 January 2001 Audited
	£'000	£'000	£'000
Trade debtors	2,338	953	1,324
Deferred tax asset	472	842	-
Prepayments and accrued income (principally rent & rates)	11,748	10,919	7,211
	<u>14,558</u>	<u>12,714</u>	<u>8,535</u>

All amounts fall due within one year

9 Creditors: amounts falling due within one year

	As at 31 July 2001 Unaudited	As at 31 July 2000 Unaudited	As at 31 January 2001 Audited
	£'000	£'000	£'000
Bank overdraft	-	6,383	-
Bank loan	-	7,422	-
Trade creditors	29,666	27,091	37,002
Other creditors	260	1,443	304
Taxation and social security costs	626	411	679
VAT payable	3,339	1,779	5,714
Corporation tax	1,042	294	2,763
Obligations under finance leases and hire purchase contracts	347	329	323
Accruals and deferred income	11,252	8,457	8,978
Dividends payable	1,472	1,462	1,151
	<u>48,004</u>	<u>55,071</u>	<u>56,914</u>

The Group has total facilities of £25m.

10 Creditors: amounts falling due after more than one year

	As at 31 July 2001 Unaudited	As at 31 July 2000 Unaudited	As at 31 January 2001 Audited
	£'000	£'000	£'000
Deferred consideration (see note 13)	3,250	-	-
Other loans (see note 13)	984	-	-
Obligations under finance leases and hire purchase contracts	350	344	448
	<u>4,584</u>	<u>344</u>	<u>448</u>

Notes to the interim results

11 Reconciliation of operating (loss)/ profit to net cash inflow from operating activities

	Six months ended 31 July 2001 Unaudited £'000	Six months ended 31 July 2000 Unaudited £'000	Year ended 31 January 2001 Audited £'000
Operating (loss)/profit	(4,641)	(6,056)	8,647
Amortisation of intangible assets	2,678	2,553	5,115
Loss/(profit) on disposal of tangible fixed assets	112	(297)	(515)
Depreciation	3,731	3,236	6,740
Foreign exchange loss on non-monetary assets	70	-	-
Increase in stocks	(3,993)	(365)	(3,333)
Increase in debtors	(4,108)	(3,367)	(30)
(Decrease)/increase in creditors	(9,969)	(6,677)	6,824
Decrease in leasehold property incentives	(128)	(190)	(263)
Net cash (outflow)/inflow from operating activities	(16,248)	(11,163)	23,185

12 Reconciliation of net cash flow to movement in net debt

	Six months ended 31 July 2001 Unaudited £'000	Six months ended 31 July 2000 Unaudited £'000	Year ended 31 January 2001 Audited £'000
(Decrease)/increase in cash in the period	(7,632)	(15,177)	5,450
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(741)	235	7,947
Change in net debt resulting from cash flows	(8,373)	(14,942)	13,397
New finance leases	(169)	(81)	(391)
Amortisation of loan issue costs	-	(95)	(172)
Movement in net (debt)/funds in the period	(8,542)	(15,118)	12,834
Net funds at start of period	15,180	2,346	2,346
Net funds/(debt) at end of period	6,638	(12,772)	15,180

Notes to the interim results

13 Acquisitions

- a) Engine Tecnology Systems S.L. ("CentroMAIL") was acquired on 8 June 2001 and its results have been incorporated from that date. Goodwill arising on the acquisition is based on the Directors' provisional fair valuation as at 8 June 2001 of the net assets acquired.

As part of the arrangements on the acquisition of CentroMAIL, local management has loaned £984,000 to CentroMAIL, which is included under loans due after more than one year. In addition deferred consideration of £3.5 million, of which £3.25 million is included under creditors falling due after more than one year, is payable to local management dependent upon future financial performance.

- b) The trade and assets of BarrysWorld was acquired on 27 February 2001 and its results have been incorporated from that date. Goodwill arising on the acquisition is based on the Directors' provisional fair valuation as at 27 February 2001 of the net assets acquired.
- c) The trade and assets of eight Swedish stores were acquired during the period. Goodwill arising on these acquisitions is based on the Directors' provisional fair valuation of the net assets acquired.

14 This interim report was approved by the Board of Directors on 2 October 2001

The interim financial information has been prepared on the basis of the accounting policies set out in the Annual Report for the year ended 31 January 2001.

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

The financial information for the year ended 31 January 2001 is an extract from the latest group accounts. The accounts received an unqualified auditor's report and have been filed with the Registrar of Companies.

Copies of this Interim Report are being posted to shareholders and are available from the Company's office at Link House, Ellesfield Avenue, Bracknell, Berkshire RG12 8TB.

Independent review report to The Electronics Boutique Plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 July 2001 on pages 6 to 13. 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.

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.

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 statements.

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 2001.

BDO Stoy Hayward
Chartered Accountants
London

2 October 2001

Directors and Advisers

Directors	Peter D Lewis <i>Non-Executive Chairman</i> Richard J Beecham JP <i>Non-Executive Deputy Chairman (retiring 9 November 2001)</i> John M Steinbrecher <i>Group Chief Executive</i> Martin Long <i>ACIS Deputy Chief Executive and Chief Financial Officer</i> Lisa J Morgan <i>Commercial Director</i> Sir Richard Greenbury <i>Non-Executive Director</i> Albert J Scardino <i>Non-Executive Director</i> William Slee <i>Non-Executive Director (appointed 25 September 2001)</i>
Secretary	Jeremy P Gorman FCA
Registered Office	Charter Court Third Avenue Southampton SO15 0AP
Stockbrokers	Hoare Govett Limited 250 Bishopsgate London EC2M 4AA
Financial advisers	Dresdner Kleinwort Wasserstein PO Box 560 20 Fenchurch Street London EC3P 3DB
Bankers	National Westminster Bank Plc Southampton Business Centre Woollen Hall, Castle Way Southampton SO1 0XY
Auditors	BDO Stoy Hayward 8 Baker Street London W1U 3LL
Solicitors	Clifford Chance 200 Aldersgate Street London EC1A 4JJ
Registrars and Transfer office	Capita IRG Plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ
Corporate web site	www.electronicboutique.plc.uk
Company Registration	875835 (England)