

THE GAME GROUP PLC

RNS release

Year Ended

31 January 2011

Registered Number : 875835

GAME Group plc preliminary results

THE GAME GROUP PLC, Europe's leading retailer of pc and video games products, today announces Preliminary Results for the 52 weeks ended 31 January 2011.

2010/11: Summary

Financial Overview All figures in £'m (unless stated)	52 Weeks ended 31 January 2011	52 weeks ended 31 January 2010
Group turnover	1,625.0	1,772.4
Gross profit margin (%)	26.3%	27.8%
Operating profit before non-recurring costs	43.2	94.8
Non-recurring costs	14.7	6.2
Operating profit	28.5	88.6
Profit before non-recurring costs and tax	37.8	90.4
Profit before tax	23.1	84.2
Basic earnings per share before non-recurring costs (pence)	8.75	19.24
Basic earnings per share (pence)	4.51	17.45
Final dividend per share (pence)	3.90	3.90
Full year dividend per share (pence)	5.78	5.78
Trading store numbers (including franchises)	1,313	1,380
Trading square footage (sq. ft. thousands)	1,370.3	1,438.4

Full year sales analysis	52 weeks to 31 January 2011	
	Total sales (%)	Lfl sales (%)
Group	-8.3	-6.7
UK & Ireland stores	-12.8	-9.8
International stores	-1.3	-2.0
Group Online	-2.0	-2.0

**Non-recurring costs relate to business restructuring in Australia and France*

Financial and Operational Highlights:

- Delivered a Group lfl of -6.7% compared to an aggregated market decline of -9.9%
- Preowned revenue increased by 3.3% to £386.9m (2010: £374.5m)
- Digital revenues increased by 27% to £41m
- Own-label revenues increased by 36% to £29m
- Gross margin improvement between H1 and H2
- Reduced operating costs by £13.7m
- Underlying Group PBT of £37.8m in line with market expectations
- Working capital improved by £66.3m, leading to a closing net cash position of £119.8m
- Final dividend maintained at 3.90p (full year dividend: 5.78p)

2011/12: Current trading and strategic progress:

Q1 sales analysis	12 weeks to 23 April 2011	
	Total sales (%)	Lfl sales (%)
Group	-14.3	-12.1
UK & Ireland stores	-14.9	-12.4
International stores	-15.8	-14.2
Group Online	+2.1	+2.1

- Continued to outperform UK market
- Leading market share for launch of Nintendo 3DS
- Strategic initiatives delivering early progress:
 - Multichannel: Online market share has increased from 13% to 18% since Strategic Update in February
 - Right stores: Closed 15 UK stores in Q1 2011
 - Unique products: Digital sales growth continues, up 28% in Q1 2011

- Novel ways to buy: Preowned sales grown to 29% of total sales, with 41% margin
- Customer relationships: 180,000 new loyalty members in Q1 2011

Ian Shepherd, Group Chief Executive commented:

“GAME is on a journey. Our customers have new and different ways to buy and play video games and we need to make sure our business provides everything they want, wherever they want it. Today, no other business does this for the gamer. We plan to be the first.

We are operating, however, in a very challenging economic climate and have a lot to do and a long way to go if we want to outperform the market by growing new revenue streams. Our strategy is designed to do just that, and our dedicated teams around the world are focused on delivering it. I’m encouraged by the good progress we’ve seen in the early months of this year.

We face the tough markets of 2011 with a strong balance sheet, high quality retail operations and real differentiators that few competitors can match. We are well placed to deal with the prevailing economic challenges and help our customers through these difficult times and consequently are maintaining guidance for the full year. In the longer term, we are putting GAME in the right place to deliver the strongest returns as the industry continues to change and evolve.”

– ENDS –

Enquiries

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Notes:**1. GAME Group Store portfolio**

	31 January 2011	31 January 2010
	Number	Number
Company owned and concessions		
UK and Ireland:		
- GAME - Stores	381	390
- GAME - Concessions	11	33
- Gamestation	247	254
Total UK and Ireland	639	677
France	197	199
Iberia	287	283
Scandinavia	65	68
Czech Republic	31	29
Total Continental Europe	580	579
Australia	93	118
Total International	673	697
Total owned and concessions	1,312	1,374
Franchises		
Iberia	0	5
Australia	1	1
Total franchises	1	6
Total operational outlets	1,313	1,380

Chairman's Statement

Overview

Our Group has seen significant changes over the last 12 months. With a new Chief Executive in place and a new strategy underway, we are making good progress in difficult markets. We are building on our leading high street retail strengths to establish leading positions in all the channels that people use to play pc and video games.

Our existing skills, which are built on twenty years of experience and knowledge from over 17 million customer relationships, help us to understand changing consumer demands and put us in a strong position to build for the future.

Market background

The video games market continued to be tough in 2010. In the UK, hardware revenues were down 25% and entertainment software revenues were down 5%. However, the launch of new peripherals from Microsoft and Sony, along with another year of strong Christmas software releases, provided the market with some support during the important Christmas period.

Digital downloads and social gaming products have continued to gain in popularity. The pace of change is accelerating as new products are launched, and as developers and publishers seek the most effective ways to reach consumers.

Results

Although we held or increased our market share in all of our territories over the year, revenues were down on the previous year with Group like for like sales of -6.7%, reflecting the challenges of the wider market. Our markets remained competitive and value was critical to customers, so our strong preowned offers and market leading deals helped us to maintain market leadership. Gross margins held up well in the second half with strong preowned and own brand sales offsetting the competitive deals on mint products. The Group continues to exercise strong cost controls, saving £13.7m over the year, and therefore we delivered a profit before tax and non-recurring items of £37.8m (2010: £90.4m).

Our disciplined approach to working capital management and capital expenditure meant we improved our cash flow by £65.1m, and consequently closed the year with a net cash position of £119.8m (2010: £44.9m). In February 2011 we agreed a new 3½ year bank facility, providing us with borrowings of £160m to further strengthen our balance sheet.

Reflecting its confidence in the Group's clear strategic direction, but mindful of the wider economic and market conditions, the Board proposes a maintained final dividend of 3.90p per share (2010: 3.90p). This will result in a full year dividend of 5.78p per share (2010: 5.78p).

Our people and Board

Our colleagues consistently demonstrate a commitment to customers and products. Their passion and skills are at the heart of our brands, and we are very grateful to them all.

I will be stepping down as Chairman after the Annual General Meeting on 15 June 2011, and I am delighted that Chris Bell will be appointed as the new Chairman. It has been an immense privilege to serve the Group as Chairman over the last 13 years. During this time our two biggest challenges, the pace of technological change and the expectations of our customers, have continued to accelerate. The Group has evolved with them, and is positioned at the forefront of innovation with a clear plan and the right team. Chris Bell and Ian Shepherd are a strong combination, with Chris's longstanding experience and network in the investor and business communities, and Ian's extensive experience in the consumer technology sector and CRM.

Chris, Ian, the Board and the GAME team around the world are committed to growing the Group and delivering significant returns for our shareholders, and I wish them every success.

Chairman's Statement (continued)

Summary

Across all of our territories, the markets in which we operate continue to be tough, but we have been able to outperform through our strength in preowned and our success in launching new products.

We are making progress delivering our strategic plans. We have outlined clear indicators to measure our progress and are pleased with the actions taken on our portfolio of stores, the expansion of our own brand product range and, in particular, the increasing sales of digital and online products. We have more work to do, and we have robust plans in place.

Our industry is driven by innovation, and we expect improvements when new products are announced. This, together with our existing business model and the delivery of our clear strategic plans, means the Group is well positioned to face the ongoing challenges in the retail environment.

Peter Lewis

Chairman

27 April 2011

The Group will release an IMS statement at the Annual Meeting on 15 June, following the E3 industry conference in Los Angeles, which is scheduled for 7 to 9 June 2011.

Chief Executive's Review

Introduction

GAME is on a journey. Our customers have new and different ways to buy and play video games and we need to make sure our business provides everything they want, wherever they want it. Today, no other business does this for the gamer. We plan to be the first.

The need for change

Our industry is changing rapidly because customers are demanding it. Customers are offered a massive choice of technology products and there have never been more ways to buy them.

This is reflected in the evolution of the market. Industry analysts are predicting modest growth for the "traditional" elements of the market over the next few years (i.e. consoles, boxed software, accessories and preowned), until the next console cycle starts. At the same time, they are forecasting growth in other areas of the market, specifically social, mobile and digital games.

GAME has a strong position in both the traditional and the emerging digital segments of the games market. We already have digital, ecommerce and physical revenue streams – in fact, we take a leading market share in some areas of the UK digital gaming market. The reason why is clear. A lot of the growth in the digital market is fuelled by people buying digital add-ons for their physical games. This cross-over of channels increases the need for a retailer who can aggregate all of the products and guide customers to the products that they want. I believe that with our unique combination of strong customer relationships, retail theatre, customer service, innovative pricing models and industry knowledge, GAME is well placed to deliver such an offer.

We are not, however, complacent. Trading in our market remains difficult and we need to deliver fundamental changes. It is no surprise, therefore, that the strategy I have recently outlined builds on our existing strengths as we grow from our traditional retail base into a multichannel future.

Our future strategy

Our strategy is rooted in our understanding of our customers. We know what it is like to be a gamer or someone buying for a gamer, and we passionately want to be our customers' first choice for all of their gaming needs. Our strategy reflects that and is called "Dedicated to Gaming".

We know that customers are shopping across multiple channels, and placing equal importance on their experiences online, on mobile platforms and in stores. In delivering our strategy, we will focus on five specific areas:

We will become a **multichannel specialist**, offering the same high quality services wherever and whenever our customers need us. We will manage our property portfolio and rejuvenate our estate to create the **right stores** to be the hubs of our multichannel experience. To be our customers' chosen gaming partner, we will sell a broad and **unique product range** spanning both physical and digital content. We will also be creative in finding ways for customers to experience gaming in the most affordable way, and will develop **novel ways to buy**. And finally, we will be dedicated to our customers and build **strong relationships** with them founded on trust and active communication.

Chief Executive's Review (continued)

A multichannel specialist

We have an opportunity to grow our online business – our share of online games revenues is lower than our share in retail stores. We also know that growing our online business benefits our stores. Our data shows that the customers who shop with us both in stores and online are our best customers, spending much more than single channel customers. Therefore, our ambition is to grow the number of customers who shop in this way, with the aim of tripling our online revenues over the next three years. In 2010 our share of online revenues was 13% in the UK.

To make ourselves a genuinely multi-channel retailer we need to do three things:

1. Grow our web presence and deliver a better web experience for customers;
2. Fully integrate the web with our stores, so that our store estate helps us grow online share;
3. Continue to invest in emerging digital and mobile channels.

We have made a good start. The web platforms we started to build in 2010 are coming online. The Gamestation website was the first to go live, in February 2011, and our GAME UK site will follow. Our sites now offer a much better retail experience as well as more community and social network content.

We have just embarked on our online strategy, and we are already seeing some success with our market share up by five percentage points to 18% (source: ChartTrack) since our strategic update in February. There is much for us to do, with the immediate next steps being the integration of web and stores to create a truly joined up proposition.

Right stores

We are re-engineering our stores to be at the heart of our multichannel offering. This will not only drive performance online and digitally, but will also enhance our store offer.

Our stores must become the place for customers to play and interact with pc and video games. Critically this allows us to give them a great shopping experience and improve our customer conversion. The opportunity is enormous, with 3.5m customers visiting our stores across the Group every week. Our teams are already very good at converting these customer visits into sales, and in 2010 we increased the conversion rate by a full percent to 19%. We are aiming to increase this by 1% every year going forward.

To create the right store environment we are increasing the multichannel feel of our outlets: adding new digital lines, including digital content for consoles, partnering with the leading social gaming sites and trialling new technology to improve our customer service.

Having the right locations inevitably means that we are going to have fewer stores. In the UK we are targeting 550 stores by Christmas 2013. We closed 15 stores in the first 12 weeks of 2011, in addition to the 38 stores we closed last year. We aim to close stores without losing sales, using loyalty card data and marketing initiatives to transfer a minimum of 60% customers to the nearest store or online. A relatively short average lease length of 5 years continues to offer us flexibility.

Internationally, stores remain the key route to market in the medium term. In Spain, Portugal and the Czech Republic, where we are market leaders, there may be tactical growth where we see local and profitable opportunities. As we move to strengthen our businesses in France and Australia, there may be a small number of additional closures.

Chief Executive's Review (continued)

Unique product range

As a specialist, our customers expect to receive a unique and differentiated offer. It is therefore crucial to have a unique product range as we combine web and stores together and we will increase our range of digital content, exclusive versions of games and own-label items – all of which give us stronger than usual market shares – in order to increase customer choice and sales. For example, we plan to double the size of our own-label business in the next three years.

Our range of own-label accessories and peripherals already contains over 100 products, and this gives us a strong market share of the total accessories market. We source these products direct from the manufacturer, giving us strong margins and total control. The range is expanding, and includes a range for new launches including accessories for Sony Move, Nintendo DSi and 3DS.

In 2010 our own-label sales outperformed the rest of our business, with sales growth of 36%.

Exclusive products and extra content are another important part of our customer offering in both physical and digital product. Customers love the opportunity to buy a special version of a product, and we see our market share outperform when we offer exclusive elements.

Last year we offered customers 39 exclusive versions of titles, and on average they delivered a market share around a third higher than when we sell a generic version of a game. Our exclusives are stronger than ever, and in Q1 2011 have included exclusive versions of Pokemon Black and White; the Bulletstorm Epic edition which provided Beta access to Gears of War 3; and the Crysis 2 Nano Edition which included an exclusive backpack, figurine and book.

Increasingly we are working with supplier partners to provide customers with exclusive digital content when they buy a physical copy of a game. This helps us to introduce customers to digital content, and to position GAME as the lead authority on multichannel gaming.

We maintain a very strong share on all new products because our supplier partners see how we actively sell more products than anyone else, and they support us with exclusive products and appropriate volumes of stock.

A “retail accelerator” effect also applies very clearly to digital products, and as a retailer we are able to sell more digital content than publishers or developers on their own. Sales of digital products, which include Xbox Live and Sony PSN time cards as well as points cards and downloadable content cards, grew at 27% last year to £41m. This has continued in 2011, with UK Q1 sales up 28% compared to Q1 2010.

Novel ways to buy

We have always been innovative in giving customers new ways to own and experience games that are as affordable as possible. Our trade-in model, supporting the sale of preowned games and hardware reduces the cost to our customers of their gaming purchases, particularly when combined with our loyalty cards, and GAME has great skill and expertise in this area. We are also looking at new ownership models, both on our own and with suppliers.

The power of preowned and trade-in should not be under-estimated in this market place. Preowned forms the backbone of our value proposition, allowing customers to liquidate their unwanted assets and giving them access to a lower price alternative. It is performing strongly in our business, becoming a larger part of our overall sales mix and delivering strong margins. It is a key pillar of support for our business, and our established model provides opportunity for further growth. Our objective is to increase the number of customers who trade-in products and buy preowned, as they have a higher customer lifetime value.

For the first time, a significant range of preowned products is being offered online, giving customers additional choice and strengthening our value messages. Our objective is to have a full range of preowned products available online in the next year.

In 2010/11 preowned participation was 23.8% and preowned margins were 39.7%. This has continued in 2011, with preowned participation now 29.1% and preowned margins 41.0%.

Chief Executive's Review (continued)

Customer relationships

To engage all of our customers, we must communicate regularly and personally with them. Our established CRM programme, combined with our multi-channel initiatives and strategic plans, will make the biggest difference in the future.

Over 17 million customers have joined our loyalty programmes, giving us a unique data asset with which to plan for the future. It shows us that over 60% of customers have shopped with us in the last 12 months, and 10% of them are "super users" – the customers who shop with us at least seven times in a five month period. The customer lifetime value of these gamers is triple the average.

Our objectives are to increase the number of card holders across the Group, drive up the number of super users, and re-engage lapsed users. We will also proactively use the schemes to drive sales. In 2010 such activities generated less than £5m for the Group. By 2013, we want these revenues to exceed £100m.

The first step was to have a card for each brand, and in October 2010 we launched the Gamestation Elite card. It now has over 800,000 members, and is growing rapidly. In total more than 17m customers hold a GAME Reward card or Gamestation Elite card.

We need to make our customer loyalty count. To that end we will use our loyalty card programme to reward, remunerate and retain customers. The key to our success will be supporting the loyalty schemes through all channels. We have the back office functionality that allows us to know each customer whenever and however they shop with us. In Q1 2010 we initiated 150,000 proactive customer contacts. In Q1 2011 this increased to more than 500,000.

The key elements of the loyalty card schemes, the number of card holders and the percentage of "super users" continue to increase. In 2010 we added 2.5m new members and in the first quarter this has improved by 30,000 members a week.

Current trading:

In the first 12 weeks to 23 April 2011, the Group's total sales were down by 14.3 per cent and lfl sales were down by 12.1 per cent. In the UK and Ireland, total sales and lfl sales were down by 14.9 per cent and 12.4 per cent respectively, outperforming the market.

In our International business, total sales were down by 15.8 per cent and lfl sales on a constant currency basis were down 14.2 per cent. Online sales were up by 2.1 per cent.

Our markets continue to be tough, but we were able to outperform the markets through our strength in preowned and successful new product launches. Our market share on the Nintendo 3DS and AAA software launches, in particular, was higher than our average because of our ability to offer customers excellent value via trade-in deals.

Chief Executive's Review (continued)

Summary and Outlook

As the games market grows and evolves, we are more convinced than ever that there is a role for a strong multichannel retailer to aggregate content of different kinds and build solid customer relationships based on trust and expertise.

The GAME Group is uniquely positioned to fulfil that role. Our ability to launch new products in stores as well as online, with customers using their loyalty cards to buy and enjoy both digital and physical content, are assets no other business possesses. That ability is driven by our passionate, expert and dedicated teams around the world.

We are operating, however, in a very challenging economic climate and we have a lot to do and a long way to go if we want to outperform the market by growing new revenue streams. Our strategy is designed to do just that, and our dedicated teams around the world are focused on delivering it.

I'm encouraged by the good progress we've seen in the early months of this year. We see good evidence that we can grow our online, digital, own-label and preowned businesses strongly, even in very tough market conditions.

It is critical that we implement the strategy with a firm focus on cash generation, efficient capital expenditure and tight control of costs. We will only invest where it helps us to achieve our strategic goals.

These strategic and cost actions, coupled with our expectation of the market, lead us to reaffirm guidance for the year with sales growth of +2 per cent to +5 per cent, gross margins down 100 basis points and flat operating costs.

We face the tough market of 2011 with a strong balance sheet, high quality retail operations and real differentiators that few competitors can match. We are well placed to deal with the prevailing economic challenges and help our customers through these difficult times. In the longer term, we are putting GAME in the right place to deliver the strongest returns to our stakeholders as the industry continues to change and evolve.

Directors' responsibility statement for the year ended 31 January 2011

Directors' responsibility statement

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. The financial statements are published on the Group's website (www.gamegroup.plc.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Report of the Directors for the year end 31 January 2011

Parent Company financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Directors' responsibility statement pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

Consolidated Statement of Comprehensive Income for the year ended 31 January 2011

	Note	2011 £'000	2010 £'000
Revenue	1	1,625,034	1,772,358
Cost of sales		1,197,638	1,279,666
Gross profit		427,396	492,692
Other operating expenses	2	398,921	404,102
Operating profit before non-recurring costs		43,208	94,789
Non-recurring costs	3	(14,733)	(6,199)
Operating profit	4	28,475	88,590
Finance income	5	375	538
Finance costs	6	(5,745)	(4,917)
Profit before taxation		23,105	84,211
Taxation	8	(7,452)	(23,744)
Profit for the year attributable to equity holders of the parent		15,653	60,467
Other comprehensive income:			
Exchange differences on translating foreign operations		2,921	3,920
Deferred income tax on share-based payments		370	(1,078)
Income tax on share-based payments		37	596
Other comprehensive income for the period, net of tax		3,328	3,438
Total comprehensive income for the period attributable to equity holders of the parent		18,981	63,905
Earnings per share – basic	10	4.51p	17.45p
– diluted	10	4.51p	17.42p

All amounts relate to continuing activities

Consolidated Balance Sheet as at 31 January 2011
Registered No: 875835

	Note	2011 £'000	Restated 2010 £'000	Restated 2009 £'000
Non-current assets				
Property, plant and equipment	11	109,122	128,588	134,141
Intangible assets	12	209,875	212,668	213,735
Deferred tax asset	18	3,647	3,614	4,004
		322,644	344,870	351,880
Current assets				
Inventories	13	149,915	176,045	181,965
Trade and other receivables	14	48,538	48,316	55,465
Cash and cash equivalents		151,243	86,128	139,614
		349,696	310,489	377,044
Total assets		672,340	655,359	728,924
Current liabilities				
Trade and other payables	15	294,570	258,203	349,182
Current portion of long-term borrowings	16	15,875	17,361	26,325
Leasehold property incentives	19	1,869	1,341	904
Current tax liabilities		7,755	12,943	26,037
		320,069	289,848	402,448
Non-current liabilities				
Long-term borrowings	16	15,559	23,908	31,847
Leasehold property incentives	19	9,718	10,048	8,328
		25,277	33,956	40,175
Total liabilities		345,346	323,804	442,623
Net assets		326,994	331,555	286,301
Equity attributable to equity holders of the parent				
Share capital	20	17,373	17,333	17,316
Share premium account	21	47,086	46,662	46,462
Capital redemption reserve	22	2,248	2,248	2,248
Shares held in Trust	22	(3,629)	(3,395)	(6,451)
Merger reserve	22	76,907	76,907	76,907
Foreign exchange reserve	22	30,295	27,374	23,454
Retained earnings	22	156,714	164,426	126,365
Total equity		326,994	331,555	286,301

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2011 and were signed on its behalf by:

Ben White
Director

Statement of Changes in Equity for the year ended 31 January 2011

	Share capital	Share premium	Capital redemption reserve	Shares held in Trust	Merger reserve	Retained earnings	Foreign exchange reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 February 2009	17,316	46,462	2,248	(6,451)	76,907	126,365	23,454	286,301
Exchange differences on translation of foreign currency net investment in subsidiaries	-	-	-	-	-	-	3,920	3,920
Income tax on share-based payments								
- Deferred tax	-	-	-	-	-	(1,078)	-	(1,078)
- Current tax	-	-	-	-	-	596	-	596
Net income recognised directly in equity	-	-	-	-	-	(482)	3,920	3,438
Net income recognised in income statement	-	-	-	-	-	60,467	-	60,467
Total recognised income and expense	-	-	-	-	-	59,985	3,920	63,905
Issue of shares	17	200	-	-	-	-	-	217
Purchase of shares	-	-	-	(1,893)	-	-	-	(1,893)
Exercise of options	-	-	-	4,949	-	(4,949)	-	-
Dividends paid	-	-	-	-	-	(19,366)	-	(19,366)
Share-based payment expense	-	-	-	-	-	2,391	-	2,391
At 1 February 2010	17,333	46,662	2,248	(3,395)	76,907	164,426	27,374	331,555
Exchange differences on translation of foreign currency net investment in subsidiaries	-	-	-	-	-	-	2,921	2,921
Income tax on share-based payments								
- Deferred tax	-	-	-	-	-	370	-	370
- Current tax	-	-	-	-	-	37	-	37
Net income recognised directly in equity	-	-	-	-	-	407	2,921	3,328
Net income recognised in income statement	-	-	-	-	-	15,653	-	15,653
Total recognised income and expense	-	-	-	-	-	16,060	2,921	18,981
Issue of shares	40	424	-	-	-	-	-	464
Purchase of shares	-	-	-	(1,926)	-	-	-	(1,926)
Exercise of options	-	-	-	1,692	-	(1,692)	-	-
Dividends paid	-	-	-	-	-	(20,073)	-	(20,073)
Share-based payment credit	-	-	-	-	-	(2,007)	-	(2,007)
At 31 January 2011	17,373	47,086	2,248	(3,629)	76,907	156,714	30,295	326,994

The restatement is a reclassification within Non-Current Assets and has no impact on equity.

Consolidated Statement of Cash Flows for the year ended 31 January 2011

		Restated	
	Note	2011 £'000	2010 £'000
Cash flow from operating activities			
Operating profit		28,475	88,590
Equity-settled share-based payment (credit)/ expense		(2,007)	2,391
Depreciation and amortisation		30,521	32,898
Impairment of goodwill		3,354	-
Loss on disposal of non-current assets		4,800	2,734
Market value movement on financial instrument		5	81
		65,148	126,694
(Increase) / decrease in trade and other receivables		(236)	6,869
Decrease in inventories		27,750	7,220
Increase / (decrease) in trade and other payables		38,623	(87,860)
Increase in leasehold incentives		198	1,757
Cash generated from operations		131,483	54,680
Finance costs paid		(5,745)	(4,917)
Corporation tax paid		(14,359)	(36,626)
Net cash from operating activities		111,379	13,137
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,763)	(24,927)
Purchase of intangible assets		(7,909)	(4,963)
Proceeds from sale of equipment		2,396	455
Finance income received		375	538
Net cash used in investing activities		(14,901)	(28,897)
Cash flows from financing activities			
Proceeds from issue of share capital		464	217
Shares purchased for Trust		(1,926)	(1,893)
Payment of Term Loan		(8,330)	(63,330)
Proceeds from Term Loan		-	50,000
Payment of other long-term borrowings		(1,023)	(2,935)
Payment of finance lease liabilities		(475)	(419)
Dividends paid		(20,073)	(19,366)
Net cash used in financing activities		(31,363)	(37,726)
Net increase / (decrease) in net cash and cash equivalents			
		65,115	(53,486)
Cash and cash equivalents at beginning of period		86,128	139,614
Cash and cash equivalents at end of period	24	151,243	86,128

Statement of Accounting Policies

The financial information set out above and in the accompanying notes, does not constitute the Company's statutory accounts for the years ended 31 January 2011 or 2010, but is derived from those Accounts. Statutory accounts for 2010 have been delivered to the Register of Companies and those for 2011 will be delivered following the Company's Annual General Meeting.

The Independent Auditors' report on the 2010 accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The Independent Auditors' report on the 2011 accounts was unqualified* and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

* did not draw attention to any matters by way of emphasis

Basis of Preparation

The accounting reference date of The GAME Group plc and all of its subsidiary undertakings (the "Group") is 31 January. The comparative year's results are for the 52 week period ended 30 January 2010. The current year's results are for the 52 week period ended 30 January 2011.

The consolidated financial statements incorporate the results of the Group made up to 31 January 2011. The Group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings. The results of subsidiary undertakings are included from the date of acquisition.

The Group consolidated financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and those IFRSs and IFRIC interpretations issued and effective and endorsed by the European Union as at the time of preparing these financial statements.

Change in accounting policy

In the current year, the Group has revised its accounting policy for the classification of Droit au Bail (a type of French key money). The balance of £32,533,000 at 31 January 2010 was previously classified within "Short leasehold land and property" as the payments confer onto the Group many rights similar to those associated with a leasehold. These assets are assessed as having an indefinite useful life and the carrying value is tested for impairment. In light of proposed amendments to accounting for leases, the nature of these assets has been reviewed and the accounting policy revised to classify Droit au Bail within Intangible Assets.

There has been no effect on the equity, or results of the Group arising from the revision of this policy. The financial position and cash flows of the Group has been re-stated to show the revised disclosure within Non-current Assets.

Notes to the Financial Statements for the year ended 31 January 2011

1 Revenue, profit and net assets

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 only. 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. Management do not consider there to be any major individual customers of the Group.

Revenue by origin and destination are not materially different. Inter-segment transactions between operating segments are entered into on an arms-length basis in a manner similar to transactions with third parties.

The Group's business is seasonal with the key trading period being the Christmas season.

	United Kingdom and Ireland stores 2011 £'000	International stores 2011 £'000	Global online 2011 £'000	Total 2011 £'000
Revenue	935,320	594,566	95,148	1,625,034
Cost of sales	(673,286)	(442,821)	(81,531)	(1,197,638)
Gross profit	262,034	151,745	13,617	427,396
Other operating expenses excluding inter-segment expenses	(223,222)	(149,170)	(11,796)	(384,188)
Inter-segment expenses	3,619	(3,619)	-	-
Operating profit / (loss) before non-recurring costs	42,431	(1,044)	1,821	43,208
Non-recurring costs	-	(14,733)	-	(14,733)
Operating profit / (loss)	42,431	(15,777)	1,821	28,475
Net finance costs excluding inter-segment	(5,208)	(162)	-	(5,370)
Inter-segment finance costs	3,503	(3,503)	-	-
Taxation	(5,384)	(2,068)	-	(7,452)
Profit / (loss) after tax	35,342	(21,510)	1,821	15,653

Other segmental information:

Goodwill and other intangibles	155,693	53,584	598	209,875
Other assets	189,088	258,600	14,777	462,465
Assets	344,781	312,184	15,375	672,340
Liabilities	(143,482)	(201,500)	(364)	(345,346)
Net assets	201,299	110,684	15,011	326,994
Capital expenditure	8,222	5,032	4,418	17,672
Depreciation and amortisation	15,774	12,079	2,668	30,521
Impairment of goodwill	-	3,354	-	3,354
Share-based payment credit	(2,007)	-	-	(2,007)

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

1 Revenue, profit and net assets (continued)

	United Kingdom and Ireland stores 2010 £'000	International stores 2010 £'000	Global online 2010 £'000	Total 2010 £'000
Revenue	1,072,698	602,556	97,104	1,772,358
Cost of sales	(751,296)	(447,373)	(80,997)	(1,279,666)
Gross profit	321,402	155,183	16,107	492,692
Other operating expenses excluding inter-segment expenses	(240,044)	(146,633)	(11,226)	(397,903)
Inter-segment expenses	3,331	(3,331)	-	-
Operating profit before non-recurring costs	84,689	5,219	4,881	94,789
Non-recurring costs	(6,199)	-	-	(6,199)
Operating profit	78,490	5,219	4,881	88,590
Net finance costs excluding inter-segment	(4,184)	(195)	-	(4,379)
Inter-segment finance costs	2,544	(2,544)	-	-
Taxation	(20,321)	(3,423)	-	(23,744)
Profit / (loss) after tax	56,529	(943)	4,881	60,467

Other segmental information:

Goodwill and other intangibles	153,650	58,506	512	212,668
Other assets	212,042	220,653	9,996	442,691
Assets	365,692	279,159	10,508	655,359
Liabilities	(166,077)	(149,524)	(8,203)	(323,804)
Net assets	199,615	129,635	2,305	331,555
Capital expenditure	11,013	14,333	4,544	29,890
Depreciation and amortisation	15,908	14,751	2,239	32,898
Impairment of assets	-	-	-	-
Share-based payment expense	2,391	-	-	2,391

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

1 Revenue, profit and net assets (continued)

	2011 Total £'000	% of Total	2010 Total £'000	% of Total
Revenue				
Hardware	330,437	20.3	433,748	24.5
Software	670,956	41.3	730,800	41.2
New hardware and software	1,001,393	61.6	1,164,548	65.7
Preowned	386,921	23.8	374,485	21.1
Other	236,720	14.6	233,325	13.2
Total	1,625,034	100.0	1,772,358	100.0

	2011 Total £'000	% of Total	2010 Total £'000	% of Total
Gross margin				
New hardware and software	198,823	46.5	257,362	52.2
Preowned	153,761	36.0	156,007	31.7
Other	74,812	17.5	79,323	16.1
Total	427,396	100.0	492,692	100.0

	2011 Total %	2010 Total %
Gross margin		
New hardware and software	19.9	22.1
Preowned	39.7	41.7
Other	31.6	34.0
Total Group	26.3	27.8

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

1 Revenue, profit and net assets (continued)

	2011 £'000	2010 £'000
Revenue by territory		
United Kingdom and Ireland	935,320	1,072,698
France	163,441	187,291
Iberia	300,823	288,342
Scandinavia	48,963	49,962
Australia	71,568	69,705
Czech Republic	9,771	7,256
Total Stores	1,529,886	1,675,254
Total Online	95,148	97,104
Total Revenue	1,625,034	1,772,358
	Number	Number
Stores by territory		
United Kingdom and Ireland	639	677
France	197	199
Iberia	287	283
Scandinavia	65	68
Australia	93	118
Czech Republic	31	29
	1,312	1,374
Franchises		
Iberia	-	5
Australia	1	1
	1	6
	Sq ft	Sq ft
Trading square footage by territory		
United Kingdom and Ireland	760,591	797,594
France	183,547	185,172
Iberia	236,389	236,045
Scandinavia	67,209	69,575
Australia	104,050	132,564
Czech Republic	18,494	17,483
	1,370,280	1,438,433

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

2 Other operating expenses

	2011	2010
	£'000	£'000
Selling and distribution	316,078	324,198
Administrative expenses	82,843	79,904
	398,921	404,102

Administrative expenses include non-recurring costs of £14,732,620 (2010: £6,199,486) (see Note 3).

3 Non-recurring costs

In the current year administrative expenses include non-recurring costs of £14,732,620 (2010: £6,199,486). Current year non-recurring costs relate to the restructuring of the Australian and French businesses. The non-recurring cost comprises £8.5m of non-cash items including the write-off of goodwill in respect of Australia, together with the write-off of certain assets. The remaining £6.2m of cash items included termination payments on leases, employment contracts and supplier contracts. Prior year non-recurring costs were in relation to integration costs following the acquisition of Gamestation.

4 Operating profit

	2011	2010
	£'000	£'000
This is stated after charging:		
Depreciation charge	25,404	28,593
Amortisation of intangible fixed assets	5,117	4,305
Goodwill impairment charge	3,354	-
Operating lease rentals – leasehold premises	86,609	87,775
– other	1,001	1,289
Loss on disposal of non-current assets	4,800	2,734
Auditors' remuneration – Fees payable to the Company's auditor for the audit of the Company's annual accounts	78	75
– Fees payable for the audit of the Company's subsidiaries, pursuant to legislation	357	355
– other services supplied pursuant to legislation	36	33
– other services relating to tax	272	294
– All other services	154	169

Goodwill impairment charges have been recognised within administrative expenses in the consolidated statement of comprehensive income.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

5 Finance income

	2011	2010
	£'000	£'000
Interest income on financial assets classified as loans and receivables	375	538
	375	538

6 Finance costs

	2011	2010
	£'000	£'000
Interest expense for finance lease and hire purchase arrangements	10	49
Interest expense for borrowings at amortised cost	5,704	4,866
Other interest	31	2
Finance costs	5,745	4,917

7 Employees

Staff costs for all employees (including Directors) consist of:

	2011	2010
	£'000	£'000
Wages and salaries	133,938	135,070
Social security costs	20,576	18,710
Other pension costs	2,026	1,700
Share-based payment (credit) / expense (see Note 20g)	(2,007)	2,391
	154,533	157,871

The average number of employees of the Group during the year, including Directors, was as follows:

	2011	2010
	Number	Number
Selling	9,372	9,775
Administration and distribution	846	817
	10,218	10,592

The key management personnel of the business are limited to the Board of Directors.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

8 Taxation

(a) Analysis of charge in the year

	2011	2010
	£'000	£'000
Current tax		
UK corporation tax expense	7,513	22,192
Adjustments in respect of prior periods	(5,182)	(1,950)
Overseas tax payable	4,784	4,192
Total current tax	7,115	24,434
Deferred tax		
Current year movement	(641)	(1,695)
Increase / decrease in tax rate	173	-
Prior year movement	805	1,005
Total deferred tax	337	(690)
Taxation on profit on ordinary activities	7,452	23,744

(b) Factors affecting the tax charge for the year

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation	23,105	84,211
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.0% (2010: 28.0%)	6,469	23,579
Effects of:		
Expenses not deductible for tax purposes	2,128	1,698
Effect of foreign tax rates	304	283
Tax losses incurred and (utilised)/not utilised in the year	2,006	(1,128)
Adjustments to tax charge in respect of previous periods	(4,377)	(946)
Other items	922	258
Tax charge for the year	7,452	23,744

The Group has approximately £75.8 million (2010: £54.0 million) of unrelieved trading losses available for offset against future taxable profits of certain Group companies. Of these losses, £11.2 million (2010: £11.4 million) has been provided which represents a recognised deferred tax asset of £3.0 million (2010: £3.1 million). There are unprovided tax losses of £64.6 million (2010: £42.6 million). Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over future taxable profits against which these can be offset.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

9 Dividends

	2011		2010	
	Pence per share	£'000	Pence per share	£'000
Final paid	3.90	13,541	3.71	12,849
Interim paid	1.88	6,532	1.88	6,517
		20,073		19,366

It is proposed that a final dividend of 3.90p per share (2010: £3.90p per share) will be paid on 15 July 2011 to shareholders on the register on 24 June 2011. Based on the number of shareholders on the register as at 31 March 2011 the final dividend will be £13,550,944 (2010: £13,541,238).

10 Earnings per share

The calculation of earnings per share for the year ended 31 January 2011 is based on the profit after taxation of £15,652,502 (2010: £60,467,009). The calculation of basic earnings per share is based on a weighted average number of shares in issue during the period of 347,170,991 (2010: 346,512,537). The number of shares used in these calculations and the reconciliation of denominators used for basic and diluted earnings per share calculations is set out in the table below:

	Basic	Effect of	Diluted
		share options	
31 January 2011	347,170,991	38,242	347,209,233
31 January 2010	346,512,537	677,327	347,189,864

Additional disclosure has been provided in respect of earnings per share before non-recurring costs as the directors believe this gives a better view of ongoing maintainable earnings in the prior year.

	2011	2010
	Pence	Pence
Basic earnings per share	4.51	17.45
Non-recurring costs per share	4.24	1.79
Basic earnings per share before non-recurring costs	8.75	19.24
Diluted earnings per share	4.51	17.42
Non-recurring costs per share	4.24	1.79
Diluted earnings per share before non-recurring costs	8.75	19.21

There are 475,452 anti-dilutive share options in the current year (2010: 648,948).

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

11 Property, plant and equipment

Group	Freehold	Short	Improvements	Fixtures,	Total
	land and	leasehold			
	property	land and	property	equipment	£'000
	£'000	property	£'000	£'000	£'000
		£'000			
		Restated			Restated
Cost					
At 31 January 2009	20,794	21,692	106,372	99,418	248,276
Additions	178	1,779	6,770	16,200	24,927
Disposals	(362)	(316)	(2,648)	(3,393)	(6,719)
Exchange adjustment	10	(1,246)	(356)	1,743	151
At 31 January 2010	20,620	21,909	110,138	113,968	266,635
Additions	378	668	2,774	5,943	9,763
Disposals	-	(934)	(8,751)	(8,972)	(18,657)
Exchange adjustment	(383)	1,268	1,209	2,038	4,132
At 31 January 2011	20,615	22,911	105,370	112,977	261,873
Accumulated depreciation and impairment					
At 31 January 2009	1,843	9,359	48,531	54,402	114,135
Charge for the year	464	1,831	10,939	15,359	28,593
Disposals	(146)	(255)	(1,845)	(2,387)	(4,633)
Exchange adjustment	4	(63)	(221)	232	(48)
At 31 January 2010	2,165	10,872	57,404	67,606	138,047
Charge for the year	542	2,995	10,251	11,616	25,404
Disposals	-	(682)	(5,038)	(6,481)	(12,201)
Exchange adjustment	(127)	132	507	989	1,501
At 31 January 2011	2,580	13,317	63,124	73,730	152,751
Carrying amount					
At 31 January 2011	18,035	9,594	42,246	39,247	109,122
At 31 January 2010	18,455	11,037	52,734	46,362	128,588
At 31 January 2009	18,951	12,333	57,841	45,016	134,141

The net book value of tangible fixed assets includes an amount of £96,887 (2010: £323,485) in respect of assets held under finance lease and hire purchase contracts, and these are recorded in fixtures, fittings and equipment. The related depreciation charge for the year was £226,598 (2010: £893,736). The main finance leases are for EPOS equipment.

In the current year the Group has revised its accounting policy for the classification of Droit au Bail. These amounts have been reclassified from 'Short leasehold land and property' to a separate class of Intangible Asset (see Note 12). As a result, Property, Plant and Equipment has been restated.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

12 Intangible fixed assets

	Goodwill £'000	Brands £'000	Computer software £'000	Droit Au Bail £'000	Total £'000
Group				Restated	Restated
Cost					
At 31 January 2009	160,657	18,164	13,615	31,468	223,904
Additions	-	10	3,558	1,395	4,963
Disposals	-	-	(2,460)	(299)	(2,759)
Exchange adjustment	(461)	48	(120)	(31)	(564)
At 31 January 2010	160,196	18,222	14,593	32,533	225,544
Additions	-	19	7,378	512	7,909
Disposals / impairments	(3,420)	-	(900)	(456)	(4,776)
Exchange adjustment	(2)	(311)	(421)	(1,525)	(2,259)
At 31 January 2011	156,774	17,930	20,650	31,064	226,418
Amortisation					
At 31 January 2009	205	2,276	7,688	-	10,169
Charge for the year	-	1,257	3,048	-	4,305
Disposals/impairments	-	-	(1,656)	-	(1,656)
Exchange adjustment	(24)	7	75	-	58
At 31 January 2010	181	3,540	9,155	-	12,876
Charge for the year	-	1,224	3,893	-	5,117
Disposals / impairments	-	-	(682)	-	(682)
Exchange adjustment	77	(32)	(813)	-	(768)
At 31 January 2011	258	4,732	11,553	-	16,543
Carrying Amount					
At 31 January 2011	156,516	13,198	9,097	31,064	209,875
At 31 January 2010	160,015	14,682	5,438	32,533	212,668
At 31 January 2009	160,452	15,888	5,927	31,468	213,735

Brands include £12,225,000 (2010: £13,311,667) in respect of the Gamestation brand which has a remaining useful economic life of 11 years. On acquisition, the total useful economic life of the Gamestation brand was 15 years.

Goodwill is made up as follows:

	2011 £'000	2010 £'000
UK and Ireland	131,948	131,948
International	24,568	28,067
Total	156,516	160,015

For the purposes of impairment testing, the goodwill is allocated to the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. The carrying amount of goodwill allocated to the UK and Ireland cash-generating unit (principally related to the GAME and Gamestation brands) is considered significant in comparison with the carrying amount of goodwill. The amounts disclosed as International are made up of a number of cash-generating units which are individually, and in aggregate not significant in comparison with the total carrying amount of goodwill.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

12 Intangible fixed assets (continued)

The carrying value of goodwill has been assessed on a value-in-use basis. The key assumptions for the calculations are those regarding growth rates and expected changes to selling prices and direct costs. The growth rates are based on industry forecasts, changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows using a steady growth rate applicable to the relevant market. This rate does not exceed the average long-term growth rate for the global market. The cash flows were discounted using pre-tax discount rates, incorporating relevant country and small corporate factors for each cash-generating unit. Major assumptions used in the value-in-use calculations are as follows:

2011	UK and Ireland %	International %
Pre-tax discount rate	12.3	12.0-13.5
Long-term growth rate	3.0	3.0
2010	UK and Ireland %	International %
Pre-tax discount rate	6.7	6.7
Long-term growth rate	3.0	3.0

During the year the Australian subsidiary, TGW Pty Limited, implemented a restructuring program which resulted in the closure of a number of stores. This had an adverse effect on the projected value-in-use of the operation concerned and consequently resulted in a full impairment of goodwill of £3.4m.

The carrying value of goodwill includes an amount of £6m acquired goodwill in France. An increase in the discount rate to 13% or reduction in forecast profit of 20% would cause an impairment of £1m to the carrying value of this goodwill.

To cause the carrying value of any of the remainder of the Group's business units to exceed their recoverable amount would require material and significant adverse changes in one or a more of the assumptions made. The Board do not consider these to be reasonably possible changes.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

13 Inventories

	2011	2010
	£'000	£'000
Finished goods and goods held for resale	149,915	176,045

The Directors consider that the replacement value of inventories is not materially different from their carrying value. There are no individual items of inventory held at fair value less costs to sell (2010: none) and there are no items of stock written off in the period (2010: none). The stock provision in the current year is £10,123,536 (2010: £24,905,000), which estimates the difference between the cost of stock and its estimated net realisable value.

14 Trade and other receivables

	2011	2010
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	11,660	16,022
Other receivables	14,852	13,134
Total trade and other receivables	26,512	29,156
Prepayments and accrued income	22,026	19,160
	48,538	48,316

A large proportion of the trade receivables of the Group relates to customers using credit cards or similar arrangements to purchase goods. GAME bears no risk of recovery and as a result, the risk of impairment of accounts receivable is not considered by the Directors to be significant.

As at 31 January 2011 and 31 January 2010 there were no amounts which were past due and no amounts which were impaired.

The fair values of trade and other receivables are the same as book values as credit risk has been addressed as part of impairment provisioning and due to the short-term nature of the amounts receivable they are not subject to other fluctuations in market rates.

15 Trade and other payables

	2011	2010
	£'000	£'000
Amounts falling due within one year:		
Trade payables	201,009	159,441
Other payables	9,619	6,041
Tax and social security costs	8,022	5,924
VAT payables	32,792	34,091
Accruals and deferred income	43,128	52,706
	294,570	258,203

Trade payables are non-interest bearing and are normally settled on 30 days following the end of the month of receipt.

Book values approximate to fair value at 31 January 2011 and 31 January 2010 due to the short-term nature of these items and taking into account the credit risk of the Group. The difference between the book and fair values is not considered to be material.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

16 Borrowings

	2011	2010
	£'000	£'000
Long-term:		
Current portion:		
Bank loans	15,727	16,864
Obligations under finance leases and hire purchase contracts	148	497
	15,875	17,361
Non-current portion:		
Bank loans	15,559	23,782
Obligations under finance leases and hire purchase contracts	-	126
	15,559	23,908
The borrowings are repayable as follows:		
On demand or within one year	15,727	16,864
In one to two years	15,559	15,736
In more than two years but less than five years	-	8,046
	31,286	40,646
The finance leases are repayable as follows:		
On demand or within one year	148	497
In one to two years	-	126
In more than two years but less than five years	-	-
After five years	-	-
	148	623

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

16 Borrowings (continued)

The finance leases are repayable as follows:	Minimum Lease Payments	Interest	Present Value
	2011	2011	2011
	£'000	£'000	£'000
On demand or within one year	168	(20)	148
In one to two years	-	-	-
In more than two years but less than five years	-	-	-
After five years	-	-	-
	168	(20)	148

	Minimum Lease Payments	Interest	Present Value
	2010	2010	2010
	£'000	£'000	£'000
On demand or within one year	530	(33)	497
In one to two years	147	(21)	126
In more than two years but less than five years	-	-	-
After five years	-	-	-
	677	(54)	623

There is no material difference between the book value and current value of these borrowings.

	2011	2010
	£'000	£'000
The gross contractual maturity of financial liabilities is as follows:		
On demand or within one year	16,678	18,662
In one to two years	15,715	16,581
In more than two years but less than five years	-	8,140
Less: interest due	(959)	(2,114)
	31,434	41,269

There is no material difference between the book value and current value of these borrowings.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

17 Financial instruments

Categories of financial instruments

	Loans and receivables	
	2011	2010
Financial assets	£'000	£'000
Current financial assets		
Trade and other receivables (Note 14)	26,512	29,156
Net cash and cash equivalents (Note 24)	151,243	86,128
	177,755	115,284
	Financial liabilities measured at amortised cost	
Financial liabilities	2011	2010
	£'000	£'000
Current financial liabilities		
Trade and other payables (Note 15)	294,570	258,203
Loans and borrowings (Note 16)	15,875	17,361
Total current financial liabilities	310,445	275,564
Non-current financial liabilities		
Loans and borrowings (Note 16)	15,559	23,908
Total non-current financial liabilities	15,559	23,908
Total financial liabilities	326,004	299,472

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the balance sheet.

The directors review any requirement for interest rate hedging during the year dependent upon the level of borrowings.

(a) Interest rate and currency of borrowings

The currency and interest rate exposure of the Group's borrowings is shown below:

	2011	2010
	£'000	£'000
Floating rate Euro borrowings	-	1,128
Floating rate Sterling borrowings	31,434	40,141
	31,434	41,269

The floating rate borrowings comprise bank borrowings and finance leases bearing interest rates based upon LIBOR and EURIBOR.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

17 Financial instruments (continued)

The Group holds a Revolving Credit Facility (RCF) of £125 million to be used for general corporate and working capital purposes. As at 29 January 2011 an amount of €nil (2010: €nil) was drawn down for use in Spain. The interest rate on the RCF is based on LIBOR and EURIBOR.

The floating rate sterling borrowings comprise a £33.3 million Term Loan taken out in order to refinance the existing debt at GAME. The interest rate on the loan is based on LIBOR.

The terms of the loan facility indicates a fixed charge over the freehold property and a floating charge over assets.

(b) Interest rate and currency of cash balances

The currency and interest rate exposure of the Group's floating rate cash balances is shown below:

	2011	2010
	£'000	£'000
Sterling	83,628	45,500
Euro	55,897	26,783
Swedish Krona	7,593	4,473
Danish Krone	160	229
Norwegian Krone	863	806
Australian Dollar	1,676	7,447
Czech Koruna	1,426	890
	151,243	86,128

The floating rate assets comprise bank accounts bearing interest rates based upon LIBOR and EURIBOR. There are no fixed rate financial assets.

(c) Sensitivity analysis

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated, for example, a change in interest rate and a change in foreign currency interest rates. The sensitivity analysis prepared by management for foreign currency risk and interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

At 31 January 2011, if interest rates on the floating rate borrowings denominated in sterling had been 100 basis points higher with all other variables held constant, profit after tax for the period would be £789,048 lower (2010: £1,131,051 lower).

At 31 January 2011, if interest rates on the floating rate borrowings denominated in euros had been 100 basis points higher with all other variables held constant, profit after tax for the period would be £85,781 lower (2010: £271,576 lower).

The directors consider that 100 basis points is the maximum likely change to Sterling and Euro interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

The tables in (a) and (b) above present financial liabilities and assets denominated in foreign currencies held by the Group in 2011 and 2010. If the Euro weakened or strengthened by 10 per cent against Sterling, with all other variables held constant, profit after tax and equity would change by £1,288,242 (2010: change by £331,991).

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

17 Financial instruments (continued)

(d) Fair value of borrowings and financial assets

Set out below is an analysis of all the Group's borrowings and financial assets by category. The fair value of floating rate borrowings is the amortised cost because the interest rate payments are based on market value.

	2011 £'000	2010 £'000
Trade and other receivables	26,512	29,156
Net cash and cash equivalents	151,243	86,128
Current portion of long-term debt	(15,875)	(17,361)
Non-current portion of long-term debt	(15,559)	(23,908)

The Directors believe that as they are short-term, the fair values for all items, other than long-term debt, equate to their book value.

The fair values of both current and non-current bank borrowings are based on cash flows discounted using rates based on the applicable market rate. The discount rate applied were within the range 3 per cent to 4 per cent (2010: 3 per cent to 4 per cent).

(e) The Group had no material monetary assets or liabilities that are not denominated in the functional currency of the operating unit involved.

(f) As at 30 March 2011, the Group had undrawn working capital facilities available to it of £66.8 million (2010: £54.8 million). There are no significant conditions attached to these facilities.

(g) The Group has entered into standby letters of credit to the value of £2,029,205 (2010: £2,029,205). In this respect, the Group treats these letters of credit as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the terms of the letters.

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Gearing ratio

It is the Group's policy to maintain its gearing ratio within the range of 0-100 per cent (2010: 0-100 per cent).

The Group's gearing ratio at the balance sheet date is shown below:

	2011 £'000	2010 £'000
Debt ⁽ⁱ⁾	31,434	41,269
Trade and other payables	294,570	258,203
Net cash and cash equivalents	(151,243)	(86,128)
Net debt	174,761	213,344

	2011 £'000	2010 £'000
Equity ⁽ⁱⁱ⁾	326,994	331,555
Capital and net debt	501,755	544,899
Gearing ratio	35%	39%

⁽ⁱ⁾Debt is defined as current and non-current portion of long-term debt, as detailed in Note 16.

⁽ⁱⁱ⁾Equity includes all capital and reserves of the Group.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

18 Deferred taxation

	Asset	Liability	Net	(Charged)/ Credited to profit or loss	(Charged)/ Credited to equity
	2011	2011	2011	2011	2011
	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	211	-	211	681	-
Tax losses carried forward	3,028	-	3,028	(85)	-
Share options	995	-	995	(774)	370
Other temporary and deductible differences	-	(587)	(587)	(159)	-
Deferred tax asset / (liability)	4,234	(587)	3,647	(337)	370

	Asset	Liability	Net	(Charged)/ Credited to profit or loss	(Charged)/ Credited to equity
	2010	2010	2010	2010	2010
	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(470)	(470)	(536)	-
Tax losses carried forward	3,113	-	3,113	1,516	-
Share options	1,399	-	1,399	355	(1,078)
Other temporary and deductible differences	-	(428)	(428)	(645)	-
Deferred tax asset / (liability)	4,512	(898)	3,614	690	(1,078)

	2011	2010
	£'000	£'000
At 1 February	3,614	4,004
Deferred tax (charge) / credit in the income statement for the year (Note 8)	(337)	690
Deferred tax taken to equity:		
Accelerated capital allowances	-	-
Tax losses carried forward	-	-
Share options	370	(1,078)
Other temporary and deductible differences	-	-
Other items	-	(2)
At 31 January	3,647	3,614

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

19 Leasehold property incentives

	2011	2010
	£'000	£'000
<i>Rent-free periods and reverse premiums</i>		
At 1 February	11,389	9,232
Rent free periods and reverse premiums received during the year	2,660	3,311
Released to statement of comprehensive income	(2,462)	(1,154)
At 31 January	11,587	11,389
Due within one year	1,869	1,341
Due greater than one year	9,718	10,048
At 31 January	11,587	11,389

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

20 Called-up share capital

	2011		2010	
	£'000	Number	£'000	Number
<i>Authorised</i>				
Ordinary shares of 5p	24,000	480,000,000	24,000	480,000,000
<i>Allotted, called-up and fully paid</i>				
Ordinary shares of 5p	17,373	347,461,388	17,333	346,659,167

(a) Shares issued

During the year, 802,221 (2010: 335,510) shares were issued to employees exercising share options granted under various option schemes. The total consideration received on the exercise of these options was £464,158 (2010: £216,799). The weighted average share price during the period was 77.62p (2010: 152.96p).

Between the year end and 1 April 2011, no shares have been exercised.

(b) Shares purchased

During the year no shares (2010: nil) were repurchased for cancellation by the Company at a cost of £nil (2010: £nil).

(c) Trust shares

During the year 2,000,000 shares (2010: 1,450,000 shares) were purchased at a cost of £1,925,800 (2010: £1,893,495). These shares are to be used wholly and exclusively to pay LTIP awards when they become due for payment.

Trust shares comprise 3,297,275 (2010: 2,368,001) 5p ordinary shares. The market value of these shares at 31 January 2011 is £2,209,174 (2010: £2,178,561).

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

21 Share premium account

	2011	2010
	£'000	£'000
Amount subscribed for share capital in excess of nominal value		
At 1 February	46,662	46,462
Arising on issue of shares during the year (net of expenses)	424	200
At 31 January	47,086	46,662

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

22 Reserves

Share Capital – the amount subscribed for share capital at nominal value.

Share Premium – the amount subscribed for share capital in excess of nominal value.

Capital Redemption Reserve – relates to the capital redemption reserve; amounts transferred from share capital on redemption of issued shares.

Shares held in Trust – relates to shares held in trust, being the weighted average cost of own shares held in treasury and by the ESOP Trust, the Employee Benefit Trust was established in January 2002 to provide for the future obligations of the Company for share awards under the Performance Share Plan and other share-based plans. Under the scheme the trustee, First Tower Trustees Limited, purchases the Company's ordinary shares in the open market.

Merger Reserve – relates to the merger reserve which holds the share premium arising on the share for share exchange on acquisition of Game Plc.

Retained Earnings – relates to retained earnings, being the cumulative net gains and losses recognised in the consolidated income statements.

Foreign Exchange Reserve – relates to the foreign exchange reserve, which holds gains/losses arising on re-translating the net assets of overseas operations into Sterling since 1 February 2004.

The cumulative amount of goodwill resulting from acquisitions in previous years prior to the adoption of FRS 10 (Goodwill and intangible assets) which has been eliminated against Group reserves, net of goodwill attributable to disposals before 31 January 2011, is £9,639,000 (2010: £9,639,000).

23 Acquisitions

There were no acquisitions during the current or prior year.

24 Analysis of net funds

	2011	2010
	£'000	£'000
Cash and cash equivalents	151,243	86,128
Net cash and cash equivalents	151,243	86,128
Current portion of long-term borrowings	(15,875)	(17,361)
Long-term borrowings	(15,559)	(23,908)
Net funds	119,809	44,859

During the year, the Group did not enter into any new finance lease arrangements in respect of assets (2010: nil).

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

25 Operating lease commitments

The Group leases certain land and buildings on short-term leases. The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases. At the balance sheet date, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011		2010	
	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000
The total future minimum lease payments are due as follows:				
Not later than one year	116	3,370	91	4,093
Later than one year but not later than five years	818	127,755	795	110,805
Later than five years	-	265,168	-	326,950
	934	396,293	886	441,848

The average remaining term on operating leases over land and buildings is five years.

The operating leases over land and buildings in International operations have lengths of term for a maximum period of nine years.

26 Related party transactions

There were no related party transactions within the year or prior year.

Notes to the Financial Statements (continued)

for the year ended 31 January 2011

27 Principal risks and uncertainties

Risk at GAME

Our Board believes that recognising and managing risks is the key to an effectively run business. The monitoring of risk is delegated to the Audit Committee which has tasked the business with capturing and reporting on risk in a consistent manner across the Group. The methodology is both bottom up, with detailed risk reports on all operating matters being sent from each territory, and top down, with senior management identifying all risks that could potentially prevent us from delivering our agreed strategy. Every identified risk is examined and mitigating activities are put in place. A risk report is presented to the Audit Committee half yearly.

Risk factors

Risk Type	Impact	Risk Mitigation
<p>Technology</p> <p>Speed of change and growth of technology in the market place</p>	<p>The digital world is evolving quickly. If we do not adapt to the changes we run the risk of failing to deliver a truly multichannel offering to our customers.</p>	<p>We are investing in the mobile and digital future to ensure we can serve our customers in whichever medium they wish to purchase games, be that digital download, web or in store.</p>
<p>Competition</p> <p>The pc and video games market continues to be an attractive place to do business. Our competition comes in many guises. A relatively new entrant to the games market is found in the mobile operators selling directly to consumers whilst supermarkets continue to discount heavily or run short- term loss leading campaigns on newly released products. We also have our more traditional competition from other specialists and online players.</p>	<p>If we are unable to compete we run the risk of losing our customers and our market share.</p>	<p>We use a suite of specialist tools to give customers great value. We recognise that this is not always direct price cuts.</p> <p>This is where our position as a specialist in the market place must give us the edge. We strive to find exclusive offerings for our customers that they cannot get anywhere else. Our preowned offerings, trade-in promotions and the use of loyalty card points as currency allows our customers to enjoy popular and new products at great value.</p>
<p>Reputational</p> <p>We have built up customer loyalty over many years. GAME and Gamestation are trusted brands.</p> <p>Our customers demand that we stock the broadest range of products but trust us to sell those products appropriately. Some of our video games, for instance, are age restricted and mis-selling is illegal.</p> <p>Through our loyalty card programmes we have built up a valuable database of information about our customers. Our customers give us personal information so that we can keep them up to date with offers and new releases of interest to them. It is vital that this data is protected and secure.</p>	<p>Damage to our reputation could lead to loss of revenue and shareholder value.</p>	<p>We protect our reputation by ensuring that our staff are highly trained and know their obligations to protect and respect our customers.</p> <p>We demand that our teams follow regular rigorous training programmes, and adhere to strict policies and procedures relating to age-rated products, and data protection.</p>
<p>Major Business Interruption</p>	<p>Like all businesses any disruption to our capacity to do business will affect our profitability.</p>	<p>All parts of our business, in every territory, have put together business continuity plans to ensure we are able to trade through challenges. This was put to the test recently in the UK when adverse weather conditions close to Christmas threatened to disrupt our supply chains. Our processes worked, and business interruption was minimised.</p>
<p>People and Change</p>	<p>Business change cannot be delivered if we fail to attract, develop and retain the right people in the right roles.</p>	<p>Every aspect of the Group's reward and development programmes is regularly reviewed to ensure that it keeps pace with our business needs and market conditions. Our Group HR Director works closely with the Remuneration Committee to ensure best practice across the Group</p>