15 November 2017

GAME DIGITAL PLC

Final results for the 52 weeks ended 29 July 2017

GAME Digital plc ("GAME" or the "Group") today announces its final results for the 52-week period ended 29 July 2017 (the "period"). Throughout this announcement, unless otherwise stated, year on year changes will refer to the unaudited 52-week prior year period to 23 July 2016, to provide more meaningful comparison.

All figures in £m (unless stated)	52 weeks ended 29 July 2017 (audited)	52 weeks ended 23 July 2016 (restated^) (unaudited)	% Change	53 weeks ended 30 July 2016 (restated^) (audited)
Statutory measures				
Revenue	**782.9**	812.5	(3.6)	821.9
Gross profit	**205.1**	217.4	(5.7)	220.1
Gross profit margin	**26.2%**	26.8%	(0.6%)pts	26.8%
(Loss)/Profit before tax	**(10.0)**	1.1	nm	1.9
Net cash from operating activities	**7.7**	4.5	64.4	4.5
Basic (loss)/earnings per share	**(7.1p)**	1.5p	nm	1.9p
Final dividend per share	**-**	1.75p	nm	1.75p
Selected non-IFRS measures				
Gross Transaction Value (GTV)[1]	**891.0**	912.6	(2.4)	923.3
GTV excluding Hardware	**716.8**	710.3	0.9	719.1
GTV of Digital & Non-console[2] retail categories	**236.8**	191.3	23.8	194.4
GTV of Events, Esports & Digital	**13.2**	6.1	116.4	6.1
Group Adjusted EBITDA[3]	**8.0**	25.6	(68.8)	26.4
Adjusted EBITDA – Core Retail	**14.0**	28.7	(51.2)	29.5
Adjusted EBITDA – Events, Esports and Digital	**(6.0)**	(3.1)	(93.5)	(3.1)
Adjusted (loss)/profit before tax[4]	**(4.3)**	14.0	nm	14.8
Adjusted basic (loss)/earnings per share (EPS)[5]	**(3.8p)**	7.8p	nm	8.2p
Net cash[6]	**47.2**	43.1	9.5	43.1

Financial Headlines

- Group GTV of £891.0 million, down 2.4% year-on-year, although up 6.6% in H2
    - Excluding lower margin hardware, Group GTV grew 0.9% year-on-year
- Group Adjusted EBITDA of £8.0 million (2016: £25.6 million)
- Core Retail Adjusted EBITDA of £14.0 million (2016: £28.7 million)
    - UK Retail performance impacted by a challenging market in the period, particularly in the first half, with a weaker line up of new game launches compared with the prior year and under performance of a key new release
    - Positive performance in Spain, with reported (sterling) GTV and Adjusted EBITDA up 22.5% and 10.9% respectively
- Events, Esports and Digital EBITDA loss of £6.0 million (2016: £3.1 million), reflecting investments made in the period to support significant planned future growth
- Strong balance sheet maintained, with Group net cash[6] of £47.2 million at year end (2016: £43.1 million) and access to aggregated facilities of up to c.£77 million across the UK and Spain
    - During October, short term Spanish facilities increased to €40.6 million (€30.0 million at 29 July 2017)
- Commitment to increase investment in the Group's new gaming concepts and UK store optimisation programme and as a result no final dividend has been proposed

Operational and Strategic Headlines

- Retained market leading positions in the UK and Spain, with total active loyalty customers of over 4.5 million across the Group (2016: 4.5 million)
    - Key role and leading share for the successful launch of the Nintendo Switch™ in both territories in March, which has driven a return to growth across the UK and Spanish console markets
- Continued diversification of the Group's retail sales achieved in the year, with Digital and Non-console retail category GTV growth of 23.8%, to £236.8 million (2016: £191.3 million)
- Strong growth achieved from the Group's esports, live gaming and digital activities, with GTV from these areas (Events, Esports and Digital) up 116.4%, to £13.2 million
- 18 BELONG™ gaming areas opened in the UK to date, delivering encouraging results across pay-to-play gaming, PC, VR, confectionery and drink category sales and core console categories. Targeting 35 BELONG arenas by the end of FY17/18
- UK Retail operational efficiencies and cost savings of over £11 million achieved during the year
    - Business set to continue to benefit from flexible lease structure, with 221 lease events planned for by the end of 2018, c75% of our total UK store base
    - Maintaining lease flexibility with average length to break of 0.9 years
    - New retail concession trials and other collaboration opportunities underway
- Strategic review of Multiplay Digital, announced in August 2017, with sales process commenced and progressing well

Current Trading

Trading for the first 15 weeks of the year has been ahead of Group plans, with Group Retail GTV up 5.4%. GTV in both UK and Spain are up on last year 1.8% and 9.2% respectively in local currencies reflecting the benefits of Nintendo Switch, the recent launch of Xbox One X and a stronger performance from new game releases this year. Over the same 15 week period, mint sales in UK and Spain are up on last year 8.8% and 10.7% respectively. Accordingly, at this early time in the year, the Board remains comfortable, alongside all the strategic initiatives moving forward, with the prospects of the Group in the future.

Martyn Gibbs, Chief Executive Officer, said:

"Though our markets remained volatile last year, we made solid strategic progress as we continued to focus on those elements within our control; delivering on each of the four pillars of our strategy and creating a new cost base for our UK retail business.

"We have now opened 18 BELONG venues, and we have seen encouraging early performance. We have reviewed our operations and are now accelerating development plans as we seek to fully capitalise on the strong growth potential in the growing esports market.

"After 2 years of declines, our core UK console market returned to growth in the second half of our financial year on the back of the launch of the Nintendo Switch. This growth has continued into our new financial year in both of our key territories. Whilst we remain mindful of the structural headwinds that remain in our core markets, we expect recent positive market dynamics to continue into our peak Christmas trading period, driven by strong growth in all elements of the PlayStation 4 category, continued customer demand for the Nintendo Switch, the launch of Microsoft's Xbox One X and continued stronger demand for related software.

"Against this market backdrop, our priorities remain unchanged. Across the Group we are focused on maximising the opportunities from our core retail markets by delivering a compelling and constantly improving customer proposition, realising further operational efficiencies and driving the continued transformation of the business, as we transition our business from a leading retailer of boxed products to a leading provider of physical and digital gaming products, services and experiences."

Results presentation

Management will be hosting a presentation for analysts and investors at 9.30 a.m. today at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, EC2M 5SY. A live audio webcast of the presentation will be available via the Company's website at www.gamedigitalplc.com/investor-relations. A recording of the presentation will be made available on www.gamedigitalplc.com later today.

Enquiries

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Notes:

1. Gross Transaction Value is a non-IFRS measure defined as total retail receipts excluding VAT and before the deduction of revenue deferral relating to loyalty points. Gross Transaction Value reflects the full retail sales value of digital sales, agency sales (including sales by business partners on GAME's Marketplace website), warranties and other similar arrangements and thereby includes the publishers' and sellers' shares of those transactions (see note 3). Gross Transaction Value provides the most reliable measure of activity in an environment where more sales are expected to move from physical to digital.
2. 'Digital and Non-console' categories include all digital products, preowned technology products, PC and other non-console accessory and peripheral products, virtual reality headsets, licensed merchandise and services, as well as Marketplace.
3. Adjusted EBITDA is a non-IFRS measure defined by the Group as operating profit before tax, depreciation, amortisation, net finance costs, exceptional and adjusting items (see note 3).
4. The calculation of Adjusted profit before tax excludes all exceptional and adjusting items (see note 8).
5. Adjusted basic earnings/(loss) per share is calculated as set out in note 8.
6. Net cash is cash at bank and in hand, net of overdrafts where relevant.

^ See note 2 of the financial statements for full details of the adjustments made to the 2015/16 restated results.

Forward Looking Statements

This announcement contains certain forward-looking statements which have been made by the Directors in good faith using information available up until the date they approved the announcement. Forward-looking statements should be regarded with caution as by their nature such statements involve risk and uncertainties relating to events and circumstances that may occur in the future. Actual results may differ from those expressed in such statements, depending on the outcome of these uncertain future events.

Notification of Home Member State

Following changes made to the Disclosure Rules and Transparency Rules ("DTR") as a result of the Transparency Directive Amending Directive (2013/50/EU), the Company is required to disclose its Home State. Accordingly, pursuant to DTR 6.4.2, the Company announces that its Home State is the United Kingdom.

Notes to editors

Listed on the London Stock Exchange in June 2014, GAME Digital plc is dedicated to delivering an authoritative range of specialist gaming products and services to the gaming communities of the UK, Spain and beyond, providing more ways for gamers to enjoy more games and unique gaming experiences, more often. GAME's UK and Spanish retail businesses are the market leaders in those geographical areas, operating a total of over 570 stores across the two areas, a fully integrated omni-channel offer including the multi-award winning GAME App, and a reach of more than 19 million customers across its Reward programmes. Through its esports and events activities the Group is delivering unparalleled consumer gaming experiences directly, and on behalf of third parties, including its flagship event, Insomnia, the UK's largest gaming festival. Across its digital businesses the Group is pioneering the use of new technologies to reach gamers and business partners outside its main markets. This is effected through Multiplay Digital, its specialist game server hosting business and Ads Reality, the Group's visual recognition and augmented reality business.

For more information please visit:

www.gamedigitalplc.com, www.game.co.uk, www.game.es, www.multiplay.com, www.insomniagamingfestival.com or www.adsreality.com

You can view or download copies of this announcement and the latest Half Year and Annual Report & Accounts from the Group's corporate website at www.gamedigitalplc.com or request free printed copies by corporate@game.co.uk.

This announcement constitutes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 ("MAR").

SUMMARY OF FINANCIAL RESULTS

Figures in £m unless indicated Includes non-IFRS measures	**52 weeks ended 29 July 2017 (audited)**	52 weeks ended 23 July 2016 (restated) (unaudited)	**52 week change %**	53 weeks ended 30 July 2016 (restated) (audited)
Gross Transaction Value (GTV)[1]				
Core Retail: UK	**562.0**	648.7	(13.4%)	655.7
Core Retail: Spain	**315.8**	257.8	22.5%	261.5
Events, Esports and Digital	**13.2**	6.1	116.4%	6.1
Group	**891.0**	**912.6**	**(2.4%)**	923.3
Revenue				
Core Retail: UK	**491.3**	577.2	(14.9%)	583.3
Core Retail: Spain	**278.4**	229.1	21.5%	232.4
Events, Esports and Digital	**13.2**	6.1	116.4%	6.1
Group	**782.9**	**812.5**	**(3.6%)**	821.9
Gross Profit, £m	**205.1**	**217.4**	**(5.7%)**	220.1
Gross Profit %	**26.2%**	26.8%	(0.6%)pts	26.8%
Operating Costs before depreciation, amortisation, exceptional and adjusting items	**197.1**	191.8	2.8%	193.7
Adjusted EBITDA[2]				
Core Retail: UK	**1.8**	17.7	(89.8%)	18.5
Core Retail: Spain	**12.2**	11.0	10.9%	11.0
Events, Esports and Digital	**(6.0)**	(3.1)	(93.5%)	(3.1)
Group	**8.0**	**25.6**	**(68.8%)**	26.4
Net Finance Costs	**1.3**	**1.1**	**18.2%**	1.1
(Loss) / Profit Before Tax	**(10.0)**	**1.1**	**nm**	1.9
Adjusted (Loss) / Profit Before Tax[3]	**(4.3)**	**14.0**	**nm**	14.8
Proposed Final Dividend Per Share	**-**	**1.75p**	**nm**	1.75p
Adjusted Basic Earnings per Share[4]	**(3.8)p**	**7.8p**	**nm**	8.2p
Cash (net of overdrafts)	**47.2**	**43.1**	**9.5%**	43.1

1. Gross Transaction Value is a non-IFRS measure defined as total retail receipts excluding VAT and before the deduction of revenue deferral relating to reward points. Gross Transaction Value reflects the full sales value of digital sales, agency sales (including sales by business partners on GAME's Marketplace website), warranties and other similar arrangements and thereby includes the publishers' and sellers' shares of those transactions (note 3). Gross Transaction Value provides the most reliable measure of activity in an environment where more sales are expected to move from physical to digital.
2. Adjusted EBITDA is a non-IFRS measure defined by the Group as profit before tax, depreciation, amortisation, net finance costs, exceptional and adjusting items (see note 3).
3. Adjusted profit before tax is a non-IFRS measure defined by the Group as profit before exceptional and adjusting items.
4. Adjusted basic EPS is calculated as set out in note 8.

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

Our industry continues to evolve rapidly, with huge growth in esports, live streaming, social and mobile gaming whilst social media is changing the way games are played and how gaming communities interact. Innovative new games consoles and technologies are coming to market, including virtual reality devices and most recently, the Nintendo Switch and Microsoft Xbox One X, and at the same time consumers are continuing to benefit from an ever-increasing choice in how they buy and play games. Console price points have reduced further promoting more customers to buy into current generation consoles with PlayStation 4 seeing stronger relative performance.

As evidenced by the tough UK market environment experienced in the first half of the year, some of these changes continue to provide challenges to our business, but they also provide significant opportunities. Our 'GAME Changing' strategy is focused on realising these opportunities and, while our overall financial results for the year were disappointing, I am pleased with the strategic progress we have made over the last 12 months.

Across our retail businesses we have continued to enhance and differentiate our specialist proposition, including launching our new 'GAME Elite' membership scheme in the UK. We have further developed new categories and ranges, such as digital content, PC gaming and licensed merchandise, delivering strong sales growth in these areas. We have made improvements to our multichannel proposition, to make shopping with us even more convenient and we continue to take steps to reduce costs and optimise the performance of our retail footprint. The immense flexibility of our lease portfolio continues to support significant reductions in fixed costs whilst also allowing us to reposition our retail and venue approach in major cities and towns.

Importantly, we have made significant progress in pioneering and delivering competitive gaming at a local level. Our flagship 'BELONG' gaming arena initiative was launched just over a year ago, with an encouraging performance being delivered from the first 18 venues in operation. At the same time, we have successfully developed our digital enterprise businesses. We will continue to expand our BELONG footprint both in the UK and we are planning to launch our first arenas in Spain in 2018.

The fast-moving dynamics of our industry demand that we be agile and focused with regards to the Group's strategic direction. Accordingly, following a recent review of the Group's business areas, and particularly in light of the positive performance of BELONG, we have decided to prioritise the development of our experience based esports and competitive gaming proposition. Consequently, the Board has evaluated strategic options to maximise shareholder returns from our digital enterprise activities.

Despite GTV growth in the second half period of 6.6%, overall Group sales for the year (measured as GTV) fell by 2.4% to £891.0 million and Adjusted EBITDA was £8.0 million (2016: £25.6 million). Strong working capital management helped us end the year with an increase in our cash position (net of overdrafts) to £47.2 million (2016: £43.1 million). Together with access to financing facilities across the Group of up to c.£77 million, this means that we have the required cash and facilities to develop our plans and drive future growth over the next 12 months.

Our Markets - A year of two halves

Total Mint Video Game Retail Market Value[1], YoY % Change

	H1	H2	FY
UK video games market	(12.5%)	+8.8%	(6.8%)
Spanish video games market (EUR)	+1.8%	+15.7%	+6.3%
Combined (GBP)^	(5.4%)	+13.8%	+0.1%

1 Source: GfK Chart-Track; based on value of retail sales of mint console hardware, software, digital and accessories products. H1: 26 weeks ended 28 January 2017 vs. 26 weeks ended 23 January 2016; H2: 26 weeks ended 29 July 2017 vs. 26 weeks ended 23 July 2016

^ UK and Spanish markets combined. Spain converted into sterling equivalent

In a challenging first half, the value of the console gaming retail market in our two major geographic markets declined by 5.4% (UK and Spain combined), reflecting the maturity at that time of the Xbox and PlayStation console cycles and a weaker line up of new titles compared with the prior year period. A perennial AAA release also significantly underperformed in the market which had a significant impact on our business.

Conversely, in the second half, despite constrained supply, the record breaking launch of the new Nintendo Switch console brought fresh impetus to markets globally, leading to local currency growth of 8.8% and 15.7% in the UK and Spain respectively.

This positive market momentum has continued into our new financial year, with the total video game markets in the UK and Spain up 9.1% and 14.2% respectively, in local currencies, for the first 15 weeks (Spain 14 weeks) of FY17/18, compared to the equivalent period last year.

Consumer demand is expected to remain strong for both the Nintendo Switch console as well as new and upcoming titles for the console. Sales of both the console and key software titles will remain dependent on stock availability. We are also seeing meaningful upside in the whole PlayStation 4 category as the price for the console migrates downwards and the quality of releases continually improves.

In addition to the Nintendo Switch, the arrival of the Xbox One X console in November, together with a stronger slate of new titles announced for FY17/18, are expected to drive stimulus to the market over the next 12 months.

Group Operating Review

Divisional Performance

Key Performance Metrics	Core Retail				
	UK	Spain[1]	Spain (€)	Events, Esports & Digital	Group
GTV, % change	(13.4%)	+22.5%	+6.7%	+116.4%	(2.4%)
Digital and Non-console[2] retail categories GTV, % change	+14.9%	+49.2%	+31.1%		+23.8%
Market share of Console Market[3], %	29% (32%)	40% (40%)			32% (34%)
Market share of Console Digital, %	59% (60%)	59% (64%)			59% (61%)
Active Reward programme members[4]	2.7m (2.7m)	1.8m (1.8m)			4.5m (4.5m)
Number of stores[4]	304 (313)	268 (267)			572 (580)
Average lease length, years	0.9 (1.5)	1.0 (1.0)			1.0 (1.3)

Note:
1 GTV growth rates converted into sterling equivalent
2 Digital and non-console retail categories comprise console and non-console digital products, preowned technology, PC and mobile accessories, licensed merchandise, VR devices, online Marketplace sales and retail services
3 Source: GfK Chart-Track. Share based on total market value of retail sales of mint console hardware, software, digital and accessory products. 52 weeks ended 29 July 2017 vs. 52 weeks ended 23 July 2016
4 Figures in brackets denote 2015/16 comparatives as at 30 July 2016

Core Retail: UK

UK Retail GTV declined by 2.8% in the second half, which nonetheless represented a significant improvement on the 18.1% decline reported in the first half. This improved relative performance was supported by the launch of the Nintendo Switch in March 2017, with hardware sales up 21% in the second half, together with our continued focus on growing sales of digital content and an expanding range of non-console categories which are proving popular with our customer base. Overall, GTV from digital and non-console categories (including mint and preowned phones and tablets, PC and mobile accessories, licensed merchandise, virtual reality devices and retail services) increased 14.9%, to over £162 million.

We retained our position as the leading retailer of video games in our core markets during the year, with a 29% share of the market (2016: 32%). The movement in market share was largely explained by the decline in certain key games where the UK business has historically achieved high market shares as well as an increased contribution of the online channel, where the business currently achieves a lower market share. We have continued to invest in improvements to our online, mobile and App channels during the year, as well as in our multi-channel capabilities, e.g. the expansion of delivery options. We have started to see an improved impact on our online performance in recent months, with year-on-year growth in market share metrics, customer orders and conversion.

We continue to work closely with our supplier partners and have been successful in securing additional support. The benefits from these new arrangements, together with our continued focus on higher margin categories and digital content sales have driven a positive improvement in our UK Gross Margin rate, which increased 10 basis points in the year, to 27.4% (calculated as a % of revenue).

Improving our performance through the realisation of organisational efficiencies and cost saving measures, as outlined in the UK action plan initiated in January 2016, remains a key focus for the business. Considerable attention continues to be given to the review of our store footprint and reducing property costs wherever possible. 39 lease renewals have been renegotiated on improved terms during the last 12 months and where proposed new lease terms have not been acceptable, the Group has relocated to lower cost premises. We are also exploring opportunities to open new concession locations where lower cost of occupation and more flexible terms can be agreed, commencing a concession trial with the leading consumer electronics retailer Maplin, in September 2017. We are also exploring opportunities to open new BELONG venues in low cost, high footfall retail and leisure locations both within, and outside, our existing estate.

Within retail operations, we continue to focus on improving customer service standards whilst carefully managing our store employee costs, flexing resourcing levels during periods of higher and lower demand. We have also continued to focus on reducing expenditure across the business, where possible, and have delivered procurement savings on certain business service contracts, productivity improvements in our distribution centres and other business process improvements.

These initiatives have seen the realisation of £11.1 million in overall operational efficiencies and savings in the year across our UK Retail operations including:

- £3.8 million reduction in store payroll and other store variable costs, before absorbing additional inflation including the effects of statutory wage increases
- A reduction of £1.4 million in property related costs, reflecting savings from rent renegotiations

- Distribution savings and efficiencies of £1.4 million
- Reduction in marketing costs other efficiencies and procurement benefits of £4.5 million

Overall, underlying operating costs (before depreciation and amortisation and adjusting and exceptional items) were reduced by £7.4 million. This reflects the cost savings outlined above together with the investments we have made to support multi-channel and customer service improvements, additional rent from the recent Basingstoke property sale and leaseback as well as the continued development of our growth categories. Further efficiencies and savings totalling £8.3 million have been targeted for FY17/18 with £2.1 million having been achieved in the first quarter of the new financial year.

We ended the year with 304 stores (2016: 313) in the UK, with an average length to first break of 0.9 years and 221 lease events by the end of calendar year 2018. We opened 11 new stores, closed 20 stores of which six were relocations during the year. We had eight loss making stores in the UK in the year (2016: one) (calculated as annual store EBITDA contribution before the allocation of central overheads, excluding new stores or closed stores) all of which have been addressed with reduced rents (two moving to nil rents) or will be closing or have an imminent lease event / an opportunity to turnaround the operating performance.

Core Retail: Spain

Our Spanish business produced another strong performance. GTV growth of 12.8% was delivered in the second half, resulting in total GTV for the year up 6.7% on a local currency basis. We maintained our leading position in the Spanish market during the year, with a share of 40% (2016: 40%).

In local currency terms, we delivered Content GTV growth of 7.7% in the territory. Within this, PlayStation 4 and Xbox One physical software sales were up 21.3% and digital sales were up 21.1%. Total Preowned sales rose 2.7% on the back of the strong mint software market, with further strong growth in PlayStation 4 and Xbox One software sales, up 43.7%, and preowned technology sales, up 41.3%. Sales of Accessories & Other rose 29.6%, whilst low margin Hardware sales fell by 3.9% (including the growth in the second half of 21.1%, driven by the launch of the Nintendo Switch).

Aligned with our UK priorities, we continue to focus our efforts in Spain on driving the development of digital and non-console retail categories, with GTV in these areas (including preowned technology products, PC accessories, licensed merchandise, virtual reality devices and retail services) up 31.1% in the year. We are also planning our first gaming arenas to launch in calendar H1 2018.

In total, after the effects of a stronger Euro, which appreciated approximately 13% against Sterling, our Spanish GTV rose 22.5% and gross profit rose 16.8%, after a 0.9 percentage points decline in gross profit margin, to 24.5%. The margin rate decline was mainly explained by a lower mix of prior generation pre-owned sales.

Underlying operating costs (before depreciation, amortisation and adjusting and exceptional items) rose €2.5 million, or 4.0% on a local currency basis, well below the rate of increase in sales.

We opened 4 new stores in Spain in the year and closed 3, ending with 268 stores (2016: 267) of which three were loss making (2016: three).

Events, Esports & Digital

Events, Esports and Digital (EE&D) includes our local competitive gaming activity, managed under our new BELONG brand which launched in late 2016, together with Multiplay (comprising both the Events & Esports and Digital divisions), Ads Reality and SocialNat. Having been purchased in February 2016, SocialNat has been integrated into our Spanish business and rebranded as GAME Esports Spain.

In aggregate, we delivered sales of £13.2 million from EE&D in the year (2016: £6.1 million) up 116.4%, with the majority of sales in the year generated from Multiplay. The Group has continued to invest in and develop Multiplay's Digital division, comprising its multiplayer game server-hosting technology, and the Events and Esports activities, encompassing major gaming and esports events during the year. Benefiting from this development both activities have independently delivered significant revenue growth over the last twelve months. Multiplay's Digital sales more than doubled, from £2.1 million to £4.5 million, whilst Multiplay's Events and Esports sales increased almost 50%, from £4.8 million to £7.3 million. Last year, the Multiplay Events and Esports business was relocated and its integration into the core GAME business has commenced. Multiplay's Digital division remains a separate business unit, based in the New Forest, Hampshire.

Whilst we expect to achieve better than average gross margins from these areas over the medium term, the gross profit margin declined 2.4% points in the year. This reduction was predominantly caused by the investment in the cost of sales within the Events business following the move of the Insomnia festival to the NEC in August 2016, as we scaled the event to a new and larger venue to accommodate future growth.

We continue to develop and invest in each of our Events, Esports & Digital activities to support the future growth ambitions for these businesses. Reflecting this investment, underlying operating costs (before depreciation, amortisation and adjusting and exceptional items) rose £4.1 million to £8.5 million (2016: £4.4 million). This included higher operating costs for Multiplay of £4.9 million (up to £0.8 million in the period); first time costs relating to the set up and operation of the new BELONG concept of £2.2 million and the first full year of Ads Reality and Game (Spain) of £1.4 million, up £1.1 million on the year.

Group Strategic Review

Delivering our GAME Changing strategy in 2017

A year ago I set out our 'GAME Changing' strategy, focused around four key strategic pillars which were designed to give the business clear direction, respond to changing market dynamics and effect the Group's transition to sustainable, profitable growth. We have made good progress in each of these four areas over the last 12 months.

1. Continue to improve our core retail businesses in the UK and Spain, based around the needs and behaviours of customers, in order to maximise market potential and profitability

Across our UK and Spanish retail business we continue to prioritise our efforts around four key strategic objectives: i) maximise the value of our core markets by delivering a compelling customer proposition, built around our specialist differentiators, ii) build new retail categories and services, iii) continue to improve our online and multi-channel proposition; and iv) effect the ongoing optimisation of our store estate.

i) Delivering a compelling customer proposition

Enhanced UK loyalty scheme: 'GAME Elite'

Launched 20 years ago this year, our customer loyalty programmes in the UK and Spain are some of the longest-standing and most popular of their kind in their respective regions. We remain focused on increasing sign-ups and usage of these schemes. As well as encouraging greater brand loyalty, the schemes provide valuable insight into our customers and their shopping preferences. This insight helps us continuously refine, improve and personalise our offer and communications, driving increased sales and margins which also benefits our suppliers.

4.5 million GAME Reward scheme members shopped with us in the year (2016: 4.5 million), whilst our 'swipe rate' (transactions linked to a Reward account) increased by 4% to 65% in the UK, and reached 78% in Spain (2016: 79%).

Building on this success and after significant consumer research and planning, in May 2017 the Group launched a major new loyalty initiative, 'GAME Elite'. GAME Elite is a subscription-based membership scheme for UK customers, offering enriched rewards and a range of additional benefits. This new initiative has been a central pillar of our refreshed 'customer first' retail strategy in the UK, intended to attract and retain customers and increase lifetime value.

The new GAME Elite membership scheme has proved popular with customers, with over 60,000 memberships added so far and has helped recruit new customers and increase frequency and spend of previous loyalty scheme members. Overall, more than one million customers signed up to our GAME Reward programmes (including GAME Elite) during the year, across the two territories.

Further expanding our exclusive proposition

Maintaining and expanding our 'ONLY AT GAME' exclusive proposition remains another key focus for the Group, supporting our unique, specialist position. Working with our supplier partners during the year, we were once again able to secure exclusive editions on the vast majority of the years' biggest selling titles.

Looking forward, we continue to focus on working with a broader range of our supplier partners to further expand our exclusive strategy, including new categories such as PC hardware, PC accessories and licensed merchandise.

Improving our trade-in and preowned propositions online

A key priority for the Group remains the successful promotion and development of our trade-in and preowned propositions, which support our specialist and value proposition and remain popular with customers. In September 2017, we launched an online trade-in service, allowing customers to trade-in their games, console and mobile phones online. More recently, we reconfigured our software stock management system to significantly improve the availability of preowned products online. We believe these developments will support the future growth and popularity of these areas.

ii) Building new categories and services

Our retail diversification strategy continues at pace. Over the last three years we have almost doubled sales (measured as GTV) from our digital and 'non-console' categories, from £123.5 million in FY13/14 to £236.8 million in FY16/17, with these areas contributing approximately 27% of the our total GTV this year.

Continued digital growth

Retail remains an important channel in the large and growing digital content market, with our total digital sales up 16.8% to £128.7 million in the year. Promoting and selling a broad range of digital products (across both console and non-console digital products) in our stores and online remains a key focus.

During the year we expanded our digital product range, improved in-store and online merchandising, worked with partners to support enhanced digital promotions, and improved education and training for in-store sales staff. Overall, this helped us to maintain our share of the retail digital market, with a c.60% share of the console segment in the UK and Spain.

Range development and new retail services

We have continued to successfully develop a number of key, complementary product categories and retail services over the last 12 months. These product ranges include preowned mobile phones and tablets and associated peripherals (such as chargers and audio headphones), PC gaming hardware and accessories, virtual reality devices and accessories, collectibles, clothing and other licensed products. During the year we further increased the allocation of in-store space to these categories, continued to develop in-store and online ranges, improved in store visual merchandising and up-weighted marketing support across these areas.

We have also continued to develop a much broader online range through our 'Marketplace' offer in the UK, which had over 265,000 listings from a range of 3rd party sellers across a broad range of categories. We are pleased with the 35% growth in GTV achieved, to approximately £4 million.

Alongside these developments the Group continues to broaden and improve its range of retail services. Recent initiatives include the launch of a consumer finance proposition online for higher value transactions, an expanded UK gift card programme, a significantly increased repair service in Spain, and wider product protection plans. These initiatives helped our services revenue to grow 64% in the year, to almost £6 million.

iii) Developing our online and multi-channel proposition

Like all retail markets around the world, we continue to see consumers completing a growing proportion of their purchases online, particularly through mobile devices. Delivering a seamless, connected and engaging customer journey is therefore increasingly important to our business.

We have invested in our online teams, websites and infrastructure over recent years to improve the online and multichannel experience, ensuring that customers are able to discover content and easily shop online with us whenever and however they want.

In the past 12 months, we have made several improvements to our click & collect service in the UK. Combined with our 'Endless Range' in-store proposition customers can now order online or in-store, for delivery to home, or to store. During the year we also launched a new 'click & reserve' proposition, providing further convenience for customers. Click & collect sales contributed c.8% of total online sales in the UK in 2016/17, and we expect them to continue to grow as a proportion of online sales in the future.

We have continued to invest in our ecommerce platforms, improving online functionality and customer journeys as well as enriching editorial content. One significant project completed during the year was our 'One Account' initiative, providing customers with a single login for every touch point (Reward card, online, App and GAME Wallet accounts). Since its launch we have seen significantly higher Reward utilisation rates online and higher online sales conversion.

As mentioned previously, we have also launched an online trade-in proposition and new preowned stock management engine during the year, enhancing our online proposition in these areas.

Finally, during the year we relaunched our App in the UK with a new look and feel, focused on engaging content and franchise 'campaigns'. Alongside social media, the Group's Apps in the UK and Spain remain central pillars of customer engagement and communication and have been downloaded over 1.9 million times.

iv) Optimising the store estate

Our stores remain a key strategic asset of the Group, acting as the central hub of customer engagement and a vital part of our omni-channel strategy. They also remain a major cost of our business. During the year we have continued to focus our efforts on improving future store contribution by way of the following:

1) Fixed cost reductions through ongoing lease renewal programme and concession partnerships

During the year, 39 UK leases were successfully renewed on improved terms out of a total of 49 renewed, with rents reduced on an annualised basis by £1.4 million across those leases. Since the UK plan was initiated in January 2016, 50 leases have been renewed on better terms, producing an annualised saving of £1.7m. We have 221 lease events in the UK in the period to 31 December 2018 (out of a total of 304 stores) which we are currently planning for.

In conjunction with this programme, 23 stores were closed across the UK and Spain, of which 6 were relocated in to new stores. A further five new stores were opened in the year in the UK and four in Spain, including a concession trial of two stores in the UK with WH Smith. A further concession trial with Maplin was started in September 2017, with four initial sites opened to date.

2) Improvements to the store operating model

After a successful trial launched over the Summer 2017, a new store efficiency programme is being rolled out across the UK store estate. The programme is designed to lower variable costs in stores whilst improving customer services levels by increasing store efficiencies. The programme covers several areas including payroll, logistics and in-store marketing and we are pleased with the initial results and savings that have been realised.

3) Enhancing the store environment and space utilisation

Whilst we remain disciplined on costs, we have and will continue to invest in the estate, refurbishing and refreshing the in-store environment where we believe it will generate a good return on investment. Through cosmetic enhancements, new fixtures and better merchandising and signage, we are improving the in-store customer experience. Given our small store footprints, space is at a premium. In the last year we rolled out new software which allow us to track space and category contribution more frequently and accurately. This is helping us to improve space allocation and merchandising to ensure sales and margin densities are maximised.

2. Expand the Group's live and online gaming services for gamers and publishers in order to build customer and gamer engagement and generate incremental revenues

*Major new social and competitive gaming initiative launched – '**BELONG™ by GAME'***

Following a successful trial of the 'gaming arena' concept launched a year ago, in March we announced plans to accelerate and expand our roll-out plans for our experiential retail concept, BELONG, in the UK. We have now opened 19 gaming venues (18 BELONG in-store arenas and one stand-alone gaming lounge trial), with further openings planned for 2017/18. A tribe identity has been established at every BELONG arena, to inspire players to feel part of their local community and encourage group and team participation in the inter-arena tournaments and local competitions.

The performance of the BELONG arena stores has been encouraging and continues to improve as we continually refine the offer, with a positive trend in pay-to-play utilisation rates, the growth of B2B income and venue hire for parties and events. In the first quarter of the new financial year, gaming hours played totalled c.90,000 which is up over 110% versus Q4 of FY16/17. The concept is successfully driving increased footfall, higher in-store dwell time and attracting a new customer demographic, with 25% of BELONG customers new to GAME. Importantly, we are achieving a retail sales uplift relative to the estate average in these stores, with the greatest impact seen in PC gaming and VR categories and core categories such as PlayStation 4 have also benefited despite consolidation of store space.

Development has been completed for our booking platform which allows customers to book a station in each arena for specific time slots similar to systems operated by cinemas. We are also at Beta stage with our tournament platform allowing in-arena, online and competitive esports tournament play.

Arena time has also been recently developed and launched which allows BELONG customers to purchase bulk 'credits' for gaming hours in our arenas. This will deliver a reward element for those that participate with us the most.

Feedback from customers, store teams, supplier partners and gaming communities continues to be very positive.

Continued expansion of our esports and events activities across the UK and Spain

In conjunction with BELONG, we have continued to develop and expand our esports and event capabilities and activities during the year, with directly attributable sales from these areas approximately doubling in the year, to £8.7 million (2016: £4.0 million).

Key developments for the Insomnia Gaming Festival included the launch of a refreshed brand and website, further improvements to the show's content, enhanced marketing and promotional arrangements and the signing of a major new 3-year partnership with Island Records (Universal Music). These initiatives have supported a further broadening of the show's appeal and audience, with a record footfall of over 155,000 achieved across the five flagship shows held during the year.

We have continued to develop our proprietary online systems to allow us to expand our tournament hosting capabilities and have continued to increase the content and programming from our esports broadcast studios. During the period, we completed 3 seasons of our own 'UK Masters' esports series of tournaments, with over £75,000 awarded in prize money and viewership targets exceeded. We were also selected by Activision to host a European qualifying event for the 2017 Call of Duty World League ("CWL") Championship. The CWL Birmingham Open was held at the Insomnia 60 festival in April 2017, with 96 teams competing for a share of the $50,000 prize pool.

We continue to organise major white label events on behalf of publishers, including acting as delivery partner for MineCon US, held in Anaheim, California in September 2016 and successfully hosted our first Brick Live shows in the UK (an event for Lego enthusiasts) in July 2017, having signed a franchise agreement earlier in the year. In August 2017, we also entered in a licence agreement with Mojang to operate BlockFest, for a minimum of five years, that is, to run, market and promote official Minecraft community events globally. This will allow Multiplay to operate Minecraft events or sub-licence event management within defined territories, using assets created and built by Multiplay Events.

Our esports activities have also continued to develop in Spain, with the creation of a new broadcast studio to support high quality content creation, a new online esports website launched and a growing programme of successful esports partnerships with major gaming events across the territory, including Madrid Games Week.

3. Develop and grow the Group's digital enterprise services

We have been pleased with the further successful development of our digital business over the last 12 months.

Strong growth in game server hosting

We have continued to successfully develop and grow Multiplay's game server hosting business during the year, with sales more than doubling to £4.5 million (2016: £2.1 million).

Publisher and developer interest for its services continues to grow, with major new relationships successfully launched, several new contracts signed and a number of key proof of concepts underway. The Group has continued to invest sensibly during the year in the required resource and infrastructure to support the significant future growth anticipated.

Our portfolio of partners is impressive including Electronic Arts, Activision, Psyonix, Ready at Dawn, Tripwire Interactive and numerous other leading publishers and developers.

Successful development of Ads Reality, the Group's AR based digital marketing business

Ads Reality was acquired in May 2016 after more than two years of collaboration between the two companies. During the first 15 months of ownership we have continued to support the development of the business and its technology to drive future growth. During the year the team delivered projects for several major consumer brands and international businesses, including Sainsbury and Heathrow Airport and are successfully building a growing pipeline of future projects.

Strategic review of digital businesses launched

Following the strong early performance and significant potential of BELONG, the Group has decided to prioritise management and capital resources on the acceleration of the development of its esports and live gaming initiatives. Accordingly, the Board is evaluating strategic options for the Group's digital enterprise activities to maximise shareholder value and allow the Group to increase its strategic focus.

4. Optimise organisational efficiency while investing for the future

Running an efficient business remains a key strategic priority for the Group and we have made good progress realising business efficiencies and delivering cost savings during the year. As discussed in more detail in the operating review, we achieved £11.1 million in cost reductions across our UK retail operations in the year, before the impact of higher statutory wage rates and other increases. Across our retail businesses we continue to carefully manage store employee costs, adjusting resourcing levels as required to maintain service standards during periods of higher or lower demand. We also continue to focus on reducing costs where possible across all areas of the business, including rent savings at lease renewal, business services contracts and procurement, productivity improvements in our distribution centres and other business process improvements.

Considerable attention continues to be given to the rationalisation of our store footprint and reducing property costs. Since the UK plan was initiated in January 2016, 50 leases have been renewed on improved terms and where proposed new lease terms have not been acceptable, the Group has relocated to lower cost premises. We are planning for 221 lease events before the end of 2018 and, in conjunction with these plans, we are exploring opportunities to open new concession locations with complementary third-party brands, where a lower overall cost of occupation and flexible terms can be agreed.

Conclusion

Whilst dynamics in the UK console market have been challenging, we have made good progress in the year as we continue to focus on developing our strategic initiatives and creating a new cost base for our UK retail operations.

We have reviewed our operations and are now accelerating the development of BELONG and our esports plans, as we seek to fully capitalise on the significant future potential of these high growth areas.

Our core markets returned to growth in the second half, and this momentum has continued over the first few weeks of the new financial year, driven by continued strong customer demand for the PlayStation 4 category, the increasing availability of the Nintendo Switch, the launch of Microsoft's Xbox One X and a stronger selection of new games.

Once again, I would like to convey my huge gratitude to our teams and our business partners for their hard work, dedication and support over the past year, as we continue to drive forward the transformation of our business.

By organising ourselves effectively, continuing to improve and enhance our consumer proposition and building on the collaborative partnerships we hold with our key suppliers, I am confident we will be able to maximise this market potential whilst continuing to drive further strategic progress over the next 12 months.

Martyn Gibbs
Group Chief Executive Officer

14 November 2017

CHIEF FINANCIAL OFFICER'S REVIEW

The FY2016/17 accounting period represents the 52 week period from 31 July 2016 to 29 July 2017. The prior year FY2015/16 accounting period represents the 53 week period from 26 July 2015 to 30 July 2016. Throughout the Financial Review, unless otherwise stated, FY2016/17 commentary will refer to the unaudited 52 week period to 23 July 2016 when referring to the comparative period, to better reflect the underlying performance of the Group.

Summary of Group Results

Statutory Results – IFRS measures	**52 weeks ended 29 July 2017 (audited) £m**	52 weeks ended 23 July 2016 (Restated) (unaudited) £m	52 week *change* %	53 weeks ended 30 July 2016 (Restated) (audited) £m
Revenue	**782.9**	812.5	(3.6%)	821.9
Gross Profit	**205.1**	217.4	(5.7%)	220.1
Operating (Loss)/Profit	**(8.7)**	2.2	Nm	3.0
Net Finance Costs	**(1.3)**	(1.1)	(18.2%)	(1.1)
(Loss)/Profit Before Tax	**(10.0)**	1.1	Nm	1.9
Basic EPS	**(7.1p)**	1.5p	Nm	1.9p
Selected Non-IFRS measures				
Gross Transaction Value (GTV)	**891.0**	912.6	(2.4%)	923.3
Gross Transaction Value excluding Hardware	**716.8**	710.3	0.9%	719.1
Adjusted EBITDA	**8.0**	25.6	(68.8%)	26.4
Adjusted EBITDA - Core Retail	**14.0**	28.7	(51.2%)	29.5
Adjusted EBITDA - Events, Esports and Digital	**(6.0)**	(3.1)	(93.5%)	(3.1)
Adjusted (Loss)/Profit Before Tax	**(4.3)**	14.0	nm	14.8
Adjusted (basic) (loss)/earning per share	**(3.8p)**	7.8p	nm	8.2p

Overall, the Group's Gross Transaction Value (GTV) fell by £21.6 million or 2.4% in the year, to £891.0 million (2016: £912.6 million). Excluding low margin Hardware sales, GTV rose by £6.5 million or 0.9%. After a decline in the first half, sales grew in the second half of the financial year, with GTV increasing 6.6%. GTV in the second half of the year benefited from the release of the Nintendo Switch™ console in March 2017, together with a strong performance from digital content, gaming accessories and licensed merchandise. Sales from the Group's Events, Esports and Digital businesses also continued to grow strongly, up 116.4% in the year. A key priority for the Group continues to be the further development of the Group's digital and non-console categories (including PC gaming accessories, virtual reality headsets, preowned phones & technology products and licensed merchandise), where GTV growth of 23.8% was delivered in the year.

Despite strong sales growth in the Spanish Retail business and across the Group's Events, Esports and Digital divisions, Group revenue declined by 3.6% in the period to £782.9 million (2016: £812.5 million), driven by the decline in UK Retail.

Group gross margins (as a percentage of revenue) reduced by 60 basis points to 26.2%. This decline was a result of the higher mix of sales originating from our Spanish Retail and Events, Esports and Digital businesses, where the Group currently achieves a lower gross margin than UK Retail. The reclassification of marketing income and other promotional funding from operating expenses to cost of sales has also impacted on the gross margin as the level of income varies between years.

The increase of 2.8% in underlying operating costs (excluding exceptional and adjusting items and excluding depreciation and amortisation) to £197.1 million was a result of cost increases in the core Spanish retail business as well as cost investment in the Group's Events, Esports and Digital businesses offset in part by savings in the core UK retail business. Overall underlying costs in Core Retail rose 0.6%, with a £7.4 million reduction in UK retail operating costs (after absorbing statutory wage increases and additional cost increases from the sale and leaseback of the Basingstoke premise) being offset by the impact of higher Spanish retail costs, largely explained by the translation effect of weaker year on year sterling to Euro exchange rates. Underlying Spanish retail costs increased 4% in local currency terms, lower than the uplift in GTV of 6.7%. Costs across the Group's Events, Esports and Digital divisions, comprising Multiplay, Game Esports Spain and Ads Reality, as well as the Group's new local competitive gaming activities, increased by £4.1 million to £8.5 million.

The Group made an operating loss of £(8.7) million (2016: £2.2 million operating profit). This loss is explained by the lower gross profit generation, higher operating expenses, including a £1.0 million increase in depreciation and amortisation, and is after the inclusion of exceptional income of £6.3 million in the period (2016: exceptional costs of £0.5 million). The Group delivered an Adjusted EBITDA of £8.0 million (2016: £25.6 million), reflecting a £14.7 million decline in Core Retail to £14.0 million and the EBITDA loss of £(6.0) million (2016: EBITDA loss £(3.1) million) within Events, Esports and Digital incurred as the new business activities were being further developed.

The Adjusted loss before tax for the year was £(4.3) million (2016: £14.0 million profit) and the Adjusted basic loss per share was (3.8) pence (Adjusted basic earnings per share 2016: 7.8 pence). On a statutory basis, the loss before tax was £(10.0) million (2016: £1.1 million profit) and basic loss per share was (7.1) pence (earning per share 2016: 1.5 pence).

Segmental results

Core Retail: UK

	52 weeks ended 29 July 2017 (audited) £m	52 weeks ended 23 July 2016 (Restated) (unaudited) £m	52 week *change* %	53 weeks ended 30 July 2016 (Restated) (audited) £m
Gross Transaction Value	**562.0**	648.7	(13.4%)	655.7
Revenue	**491.3**	577.3	(14.9%)	583.4
Gross Margin %[1]	**27.4%**	27.3%		27.4%
Adjusted EBITDA	**1.8**	17.7	(89.8%)	18.5

1. Calculated as a % of revenue

After a stronger second half performance, the core UK Retail business saw Gross Transaction Values decline by 13.4% and revenue by 14.9% in the year. A key priority for the business continues to be the further development of its digital and non-console retail categories. GTV across these categories grew 14.9% in the year, to £162.8 million.

An increase in sales mix of higher margin categories, together with higher achieved margins on mint Hardware following the launch of the Nintendo Switch, drove a 10 basis point improvement to the gross margin (as a % of revenue), to 27.4% (2016: 27.3%).

Operating costs before depreciation and amortisation and adjusting and exceptional items were reduced by £7.4 million or 5.3%. This net reduction reflects achieved operating cost savings of £11.1 million, partially offset by statutory wage increases implemented during the year, cost investment to support strategic growth initiatives and rent payable on the UK distribution centre and head office buildings of £0.8 million following the sale and leaseback of the property in October 2016.

Despite the improvement in gross margin rate and lower costs, the fall in GTV meant Adjusted EBITDA for the core UK Retail business declined to £1.8 million in the year (2016: £17.7 million).

Core Retail: Spain

	52 weeks ended 29 July 2017 (audited) £m	52 weeks ended 23 July 2016 (Restated) (unaudited) £m	52 week growth %	52 week LC growth^ %	53 weeks ended 30 July 2016 (Restated) (audited) £m
Gross Transaction Value	**315.8**	257.8	22.5%	6.7%	261.5
Revenue	**278.4**	229.1	21.5%	5.8%	232.4
Gross Margin %[1]	**24.5%**	25.4%			25.5%
Adjusted EBITDA	**12.2**	**11.0**	**10.9%**	**(6.0%)**	**11.0**

Note:
^ LC local currency basis. Calculated based on original Euro amounts.
1. Calculated as a % of revenue

GAME's Spanish Retail business (excluding esports) delivered GTV growth of 6.7% over the period on a local currency basis. Excluding low margin hardware, Spanish retail GTV grew 10.0%. Consistent with the UK business, a key priority for the Spanish retail business is the continued development of digital and non-console retail categories (including PC gaming accessories and virtual reality headsets), where GTV growth of 31.1% was delivered on a local currency basis.

On a reported basis, after the effects of a stronger Euro during the period, Spanish GTV rose 22.5% while Spanish revenue grew 21.5% to £278.4 million.

Gross margin rates in the territory declined by 90 basis points to 24.5% (2016: 25.4%), reflecting a lower mix of higher margin older generation software (across both mint and preowned categories) as well as selected price investment across key categories to support our leading market shares. Spanish operating costs excluding depreciation, amortisation and adjusting and exceptional items increased to £55.9 million (2016: £47.3 million), representing 17.7% of GTV (2016: 18.3%). On a local currency basis, Spanish operating costs excluding depreciation, amortisation and adjusting and exceptional items increased €2.5 million, or 4.0%, broadly in line with the increase in sales.

The Adjusted EBITDA for the period was £12.2 million (2016: £11.0 million). In local currency terms Adjusted EBITDA was €14.2 million (2016: €15.1 million).

Events, Esports and Digital

	52 weeks ended 29 July 2017 (audited) £m	53 weeks ended 30 July 2016 (audited) £m	Growth %
Gross Transaction Value	13.2	6.1	116.4%
Revenue	13.2	6.1	116.4%
Gross Profit %[1]	18.9%	21.3%	
Adjusted EBITDA loss	(6.0)	(3.1)	(93.5%)

1. Calculated as a % of revenue

Revenue from Events, Esports and Digital, comprising the Multiplay and Ads Reality businesses in the UK, and revenue generated from esports and local competitive gaming activities in the UK and Spain, grew 116.4% to £13.2 million (2016: £6.1 million). Revenue streams include ticket sales, in-store gaming services such as 'pay-to-play' and advertising and sponsorship deals.

Combined gross margins across these areas declined by 2.4 percentage points, to 18.9%. This decline was largely due to increased costs of sales within Multiplay's Events division as a result of moving to the NEC, in preparation for further expected growth in audience numbers.

Core underlying operating costs attributable to Events, Esports and Digital increased £4.1 million to £8.5 million (2016: £4.4 million) as the Group continued to expand its activities and further develop its operations. Cost investment across Multiplay's Events and Digital businesses amounted to £0.8 million, taking total Multiplay costs in the period to £4.9 million. In addition, £2.2 million of cost was incurred by the Group's new local competitive gaming activities (2016: nil) with the balance of the remaining cost investment split across Ads Reality and Game Esports Spain.

Investment continues into activities targeted to deliver future growth, including the roll out of 18 BELONG gaming arenas during the year, and an upgrade to the Group's server management platform to enable it to run the global hosting requirements for major AAA titles. The Adjusted EBITDA loss was £6.0 million (2016 EBITDA loss: £3.1 million).

Gross Transaction Value (GTV) and Revenue

	Gross Transaction Value (GTV)				Revenue			
	52 weeks ended 29 July 2017 (audited) £m	52 weeks ended 23 July 2016 (unaudited) £m	52 week growth %	53 weeks ended 30 July 2016 (audited) £m	52 weeks ended 29 July 2017 (audited) £m	52 weeks ended 23 July 2016 (Restated) (unaudited) £m	52 week growth %	53 weeks ended 30 July 2016 (Restated) (audited) £m
Content	396.0	401.0	(1.2%)	404.6	286.9	311.5	(7.9%)	313.8
Preowned	174.3	185.8	(6.2%)	189.3	174.8	184.5	(5.3%)	188.0
Accessories & Other[1]	146.5	123.5	18.6%	125.2	147.8	116.2	27.2%	117.9
Sub-Total	**716.8**	**710.3**	**0.9%**	**719.1**	**609.5**	**612.2**	**(0.4%)**	**619.7**
Hardware	174.2	202.3	(13.9%)	204.2	173.4	200.3	(13.4%)	202.2
Total	**891.0**	**912.6**	**(2.4%)**	**923.3**	**782.9**	**812.5**	**(3.6%)**	**821.9**

1 Includes sales contributed from Events, Esports and Digital businesses

Total Group Gross Transaction Value (GTV) fell 2.4% over the year to £891.0 million (2016: £912.6 million) with strong growth achieved in the second half period (H1: (6.9)%, H2: +6.6%).

Hardware sales rebounded strongly in the second half, rising 25.5% following the launch of the Nintendo Switch in March 2017. However, this was not sufficient to offset the declines experienced in the first half, with overall Hardware GTV for the year £28.1 million lower, at £174.2 million (2016: £202.3 million).

Excluding lower margin Hardware, GTV grew by £6.5 million or 0.9%, with continued growth in Accessories & Other more than offsetting the decline in Content and Preowned.

Content GTV, which includes both mint boxed and digital game content, fell by 1.2% (H1: (1.9%), H2: +0.1%). In part, this is explained by the ongoing decline in physical sales for Xbox 360 and PlayStation 3, with sales down a further 69.3% across the Group. The combined GTV of all other software formats was flat in the year, although, as reported in the Group's first half results, the market reaction to certain key annual titles in the first half was not as strong as in the prior year and there was no major, non-perennial title to match the performance of Fallout 4, which launched in the equivalent period in 2015/16. Within Content GTV, digital sales continued to grow, rising 16.8% to £128.7 million.

GTV from Preowned products decreased by 6.2% to £174.3 million (H1: (8.7%), H2: (3.0%)). Sales of preowned PlayStation 4 and Xbox One software products rose 12.1%, and sales of preowned mobile phones and tablets rose 4.4% over the year, but these were more than offset by a decline in sales of preowned Xbox 360, PlayStation 3 and other older format hardware and software.

GTV from the Accessories & Other category increased by £23.0 million or 18.6% to £146.5 million, benefiting from a £7.1 million increase in Events, Esports and Digital sales, together with strong growth of PC accessories and licensed products.

On a statutory basis, Group revenue declined 3.6% to £782.9 million (2016: £812.5 million).

Gross profit

Gross profit fell by 5.7% to £205.1 million (2016: £217.4 million). Foreign exchange rates positively impacted the reported gross profit during the half, with the Euro c.13% stronger relative to sterling in the 52 weeks ended 30 July 2017. This accounted for a year-on-year benefit to gross profit of c.£8.6 million. On an underlying, constant currency basis, total gross profit decreased by 9.6%.

	52 weeks ended 29 July 2017 (audited) £m	52 weeks ended 23 July 2016 (Restated) (unaudited) £m	52 week change %	53 weeks ended 30 July 2016 (Restated) (audited) £m
Core Retail: UK	**134.5**	157.8	(14.8%)	159.6
Core Retail: Spain	**68.1**	58.3	16.8%	59.2
Events, Esports and Digital	**2.5**	1.3	92.3%	1.3
Total	**205.1**	217.4	(5.7%)	220.1
Core Retail: Spain (€m)	**79.0**	77.4	2.1%	78.5

Gross profit by category is analysed in the table below.

	52 weeks ended 29 July 2017 (audited) %	52 weeks ended 23 July 2016 (Restated) (unaudited) %	52 week Growth %pts	53 weeks ended 30 July 2016 (Restated) (audited) %
Content	**32.3**	33.1	(0.8)	33.1
Preowned	**33.5**	35.8	(2.3)	35.9
Accessories & Other	**29.4**	34.2	(4.8)	34.2
Sub-Total	**31.9**	34.1	(2.2)	34.1
Hardware	**6.1**	4.2	1.9	4.3
Total	**26.2**	26.8	(0.6)	26.8

Note: Gross profit calculated as a % of revenue.

Overall gross profit rates remained broadly stable in the year, at 26.2% (2016: 26.8%). The Content gross profit rate decreased 0.8 percentage points to 32.3% given the mix of physical and digital product sales. Preowned margin rates fell 2.3 percentage points due to the increasing mix of Xbox One and PlayStation 4 (new format) software and technology products, which achieve lower margin rates than older format preowned sales. The gross margin of Accessories & Other fell 4.8 percentage points to 29.4%. This decline was due to the first-time contribution of virtual reality device sales launched in the period, which attract a lower margin than the category average as well as year on year decline in the gross margin achieved for the licensed merchandise sub-category, due to the mix of sales within that category. Hardware margin rates improved 1.9 percentage points to 6.1% due to improved supplier terms and higher achieved average selling prices on the new console iterations launched during the year, comprising the Xbox One S, PlayStation 4 Slim, PlayStation 4 Pro and Nintendo Switch.

Operating expenses

	52 weeks ended 29 July 2017 (audited)						
	Core Retail £m	**Events, Esports & Digital £m**	**Continuing costs £m**	**Adjusting items £m**	**Sub-total £m**	**Exceptional items £m**	**Total £m**
Selling and distribution	(153.2)	(1.1)	(154.3)	-	(154.3)	-	(154.3)
Administrative	(45.5)	(8.3)	(53.8)	(12.0)	(65.8)	-	(65.8)
Total operating expenses	(198.7)	(9.4)	(208.1)	(12.0)	(220.1)	-	(220.1)
Depreciation and amortisation	(10.1)	(0.9)	(11.0)	(9.6)	(20.6)	-	(20.6)
Operating expenses excluding D&A	(188.6)	(8.5)	(197.1)	(2.4)	(199.5)	-	(199.5)

	53 weeks ended 30 July 2016 (Restated) (audited)						
	Core Retail	**Events, Esports & Digital**	**Continuing costs**	**Adjusting items**	**Sub-total**	**Exceptional items**	**Total**
	£m	£m	£m	£m	£m	£m	£m
Selling and distribution	(157.6)	0.6	(157.0)	-	(157.0)	-	(157.0)
Administrative	(42.0)	(5.2)	(47.2)	(12.4)	(59.6)	(0.5)	(60.1)
Total Operating expenses	(199.6)	(4.6)	(204.2)	(12.4)	(216.6)	(0.5)	(217.1)
Depreciation and amortisation	(10.3)	(0.2)	(10.5)	(9.1)	(19.6)	-	(19.6)
Operating expenses excluding D&A	(189.3)	(4.4)	(193.7)	(3.3)	(197.0)	(0.5)	(197.5)

Continuing operating expenses before exceptional and adjusting items, comprising selling and distribution and administrative expenses, increased by £3.9 million or 1.9% to £208.1 million. Continuing operating costs, before exceptional and adjusting items and excluding depreciation and amortisation increased by 1.8% to £197.1 million.

Group continuing selling and distribution expenses decreased 1.7% or £2.7 million to £154.3 million, whilst Group continuing administrative costs increased by £6.6 million to £53.8 million. Expansion of the Events, Esports and Digital businesses accounted for £3.1 million of the increase in Group continuing administrative costs. Further investment was also made in UK Retail to strengthen the senior management team and an additional rent cost of over £0.8 million has been incurred following the sale and leaseback of the distribution centre and head office buildings. Both the UK and Spain have also invested in the new retail categories.

Continuing costs – excluding exceptional, adjusting items and depreciation and amortisation	**52 weeks ended 29 July 2017 (audited)**	52 weeks ended 23 July 2016 (Restated) (unaudited)	*Change*	53 weeks ended 30 July 2016 (Restated) (audited)
	£m	£m	%	£m
Core Retail	**188.6**	**187.4**	**0.6%**	**189.3**
UK Retail	(132.7)	(140.1)	(5.3%)	(141.1)
Spain Retail	(55.9)	(47.3)	18.2%	(48.2)
Events, Esports and Digital	**(8.5)**	**(4.4)**	**93.2%**	**(4.4)**
Total	**(197.1)**	**(191.8)**	**2.8%**	**(193.7)**
Spain Retail, €m	*(64.8)*	*(62.3)*	*4.0%*	*(63.3)*

Underlying core retail costs were up 0.6%, at £188.6 million (2016: £187.4 million). Within this, UK retail costs were reduced by 5.3% or £7.4 million to £132.7 million whilst Spanish retail costs increased 18.2% to £55.9 million predominantly due to the impact of a weaker pound. Across the Group's UK retail operations, a number of business efficiencies and cost savings have been delivered during the year:

- £3.8 million reduction in store payroll and other store variable costs, before absorbing additional inflation including the effects of the national minimum wage of £1.5 million
- A reduction of £1.4 million in property related costs, reflecting savings from renegotiations completed in the period as well as those achieved in FY15/16
- Distribution savings and efficiencies achieved cost reductions of £1.4 million
- Marketing cost reductions and other efficiencies and procurement benefits of £4.5 million

In local currency, Spanish retail costs for the period increased by 4.0% or €2.5 million, compared with GTV sales growth of 6.7%. Higher distribution costs and store variable costs mainly linked to greater sales activity were incurred together with further investment in central costs to similarly drive the new growth initiatives including costs associated with the repair centre and the greater focus on developing the PC category.

Operating expenses across the Group's Events, Esports and Digital businesses rose £4.1 million to £8.5 million, with further investments made across each area. In 2017, for the first time these costs included expenses incurred in relation to the Group's new live gaming UK retail concept (BELONG); first full year of costs for both Ads Reality and Game Esports Spain as well as increases in Multiplay's costs associated with the ramp up in trading across both its Events and Digital divisions.

Exceptional and adjusting items

The exceptional items before tax as detailed in note 5, are as follows:

Exceptional items	**52 weeks ended 29 July 2017 £m**	53 weeks ended 30 July 2016 (Restated) £m
Gain on disposal of property	6.3	-
Redundancy and reorganisation costs	-	(0.5)
Total	**6.3**	**(0.5)**

Exceptional income of £6.3 million was recognised in the period relating to the gain on the sale of the Group's UK head office and distribution centre.

The adjusting items before tax as detailed in note 5, are as follows:

	52 weeks ended 29 July 2017 (audited) £m	53 weeks ended 30 July 2016 (audited) £m
Brand and other acquired intangibles amortisation	**9.6**	9.1
Costs of post-acquisition remuneration	**2.2**	2.7
Cost of IPO-related share-based payment compensation	**0.2**	-
Costs relating to the acquisition of Ads Reality	**-**	0.5
Impairment relating to the acquisition of Ads Reality	**-**	0.1
Total adjusting items	**12.0**	**12.4**

Amortisation charges increased by £0.5 million in the period as a result of the acquisition of Ads Reality in May 2016. The post-acquisition remuneration of £2.2 million relates to future amounts of cash and shares payable to certain of the original directors of Multiplay and adjustments relating to Ads Reality, linked to their potential earnings. The share-based payment charge reflects the latest estimate of the cost of awards under the Group's share incentive plan and the associated national insurance provision required thereon.

Adjusted EBITDA

	52 weeks ended 29 July 2017 (audited)			52 weeks ended 23 July 2016 (Restated) (unaudited)				
	Core Retail £m	**Events, Esports & Digital** £m	**Total** £m	Core Retail £m	Events, Esports & Digital £m	Total £m	52 week change £m	**53 weeks ended 30 July 2016 (Restated) (audited)** £m
GTV	877.8	13.2	891.0	906.5	6.1	912.6	(21.6)	923.3
Revenue	769.7	13.2	782.9	806.4	6.1	812.5	(29.6)	821.9
Gross profit	202.6	2.5	205.1	216.1	1.3	217.4	(12.3)	220.1
Adj. operating costs ex. D&A	(188.6)	(8.5)	(197.1)	(187.4)	(4.4)	(191.8)	(5.3)	(193.7)
Adjusted EBITDA	**14.0**	**(6.0)**	**8.0**	**28.7**	**(3.1)**	**25.6**	**(17.6)**	**26.4**
Adjusted EBITDA margin %	1.8%	(45.5%)	1.0%	3.6%	(50.8%)	3.2%	(2.2%pts)	3.2%

Note: Adjusted EBITDA margin calculated as a % of revenue

Group Adjusted EBITDA (EBITDA less exceptional and adjusting items) of £8.0 million (2016: £25.6 million) fell by £17.6 million in the period. Core Retail performance reflects a £15.9 million decline related to the UK Retail operation whilst the Spanish Retail operations delivered an Adjusted EBITDA of £12.2 million, up £1.2 million. The Adjusted EBITDA loss from Events, Esports and Digital totalled £6.0 million (2016 EBITDA loss: £3.1 million) reflecting the scaling of operations to support future growth ambitions across these areas.

Financing costs

Net financing costs totalled £1.3 million (2016: £1.1 million). The increase in financing costs reflects more frequent drawings in Spain over the period and the higher non-utilisation costs of the new and larger UK facilities.

(Loss)/profit before tax

The loss before tax for the period amounted to £10.0 million (2016 (53 week): £1.9 million profit). The profit before tax for Core Retail was £0.4 million (2016 (53 week): £9.4 million profit) and Events, Esports and Digital incurred a loss before tax of £10.4 million (2016 loss: £7.5 million).

Taxation

The effective tax rate (defined as the accounting tax charge divided by the loss/profit before tax) was -21.0% (2016: -68.4%). The tax rates in both periods has been impacted by a number of one-off adjustments to the tax charge, unrecognised losses and the sale of the freehold property in the UK.

(Loss)/Earnings per share

The (losses)/earnings used for the calculation of Adjusted basic LPS / EPS are as follows:

	52 weeks ended 29 July 2016 (audited)	53 weeks ended 30 July 2016 (Restated) (audited)
(Loss)/profit before tax	**(10.0)**	**1.9**
Adjusting items	12.0	12.4
Exceptional (gains)/costs	(6.3)	0.5
Adjusted (Loss)/profit before tax	**(4.3)**	**14.8**
Effective tax rate on above	(49%)	7%
Tax	(2.1)	(1.0)
Adjusted (loss)/profit after tax	**(6.4)**	**13.8**
Shares outstanding (basic) *	169,690,084	168,868,310
Adjusted (loss)/basic earnings per share	**(3.8p)**	**8.2p**

* Basic shares outstanding excludes shares held in trust (EBT and SIP)

In order to give a better view of underlying earnings, adjustments to earnings per share have been made to remove exceptional and adjusting items.

The Group reported an Adjusted basic loss per share of 3.8 pence.

On a statutory basis, after the impact of exceptional and adjusting items, the basic loss per share was 7.1 pence (2016: earnings per share for 53 weeks ended 30 July 2016 of 1.9 pence).

Cash flow and net cash

	52 weeks ended 29 July 2017 (audited) £m	53 weeks ended 30 July 2016 (audited) £m
Net cash from operating activities	7.7	**4.5**
Capital expenditure	(11.6)	(13.3)
Proceeds from sale of property	13.3	-
Cash generated / (used) from operations after capital expenditure	**9.4**	**(8.8)**
Dividends	(5.8)	(12.4)
Acquisition of business / subsidiary	-	(1.5)
Net (repayments)/drawings of borrowings	(0.2)	1.5
Other	0.1	0.2
Cash flow	**3.5**	**(21.0)**
Opening cash	**43.1**	**63.1**
Effect of changes in foreign exchange rates	0.6	1.0
Closing cash	**47.2**	**43.1**
Finance lease liabilities	(4.6)	(4.6)
Net cash	**42.6**	**38.5**

Cash generated from operations

Cash generated from operations amounted to £10.0 million broadly in line with the prior year (2016: £10.1 million). A fall in EBITDA of £17.0 million was largely offset by the favourable movement in working capital and other items of £16.9 million. After finance costs and corporation tax payments, cash generated from operating activities was £7.7 million (2016: £4.5 million).

	52 weeks ended 29 July 2017 (audited) £m	53 weeks ended 30 July 2016 (Restated) (audited) £m
Operating (loss)/profit	(8.7)	3.0
Exceptional gain on sale of property	(6.3)	-
Depreciation and amortisation	20.6	19.6
EBITDA	**5.6**	22.6
Movement in working capital and other items	4.4	(12.5)
Cash generated by operations	**10.0**	10.1
Finance costs	(1.4)	(1.7)
Corporation tax paid	(0.9)	(3.9)
Net cash from operating activities	**7.7**	4.5
Working capital generation ratio, %	57.1%	(277.8%)

Note: Working capital generation ratio calculated as working capital generated as a % of net cash from operating activities

Capital Expenditure and proceeds from the sale of property

Group capital expenditure amounted to £11.6 million (2016: £13.3 million), representing 1.5% of revenue (2016: 1.6%).

Capital expenditure was incurred on investment in the UK and Spanish retail operations. This included expenditure on 16 new BELONG arenas, including 7 store relocations, and further upgrade and maintenance capital expenditure for the existing store environment, core IT systems and distribution centre. In addition, capital expenditure was incurred on the Group's online and digital infrastructure and managed server hosting technology.

Future capital expenditure is planned for the existing physical estate, focused on the development of more experiential BELONG gaming arenas, new Game concessions and other planned relocations. Capital expenditure plans also include visual merchandising opportunities to improve sales densities in stores in both UK and Spain. Finally, additional capital expenditure is planned for online initiatives, core IT and digital infrastructure.

Proceeds from the sale of property of £13.3 million (2016: £nil) related to the net sale proceeds received in October 2016 from the sale and leaseback of the Group's freehold property interests of the distribution centre and head office buildings located in Basingstoke, UK. The Group continues to operate its principal UK business activities from its Basingstoke head office and continues to use its distribution centre as its primary UK store and online storage and fulfilment centre.

Dividends

Reflecting the decision to increase investment in the Group's new BELONG concept and optimise the UK estate in light of the significant number of lease events planned for over the next 12 months, the Board has taken the decision not to declare a final dividend payment (2016: 1.75 pence per share). Total ordinary dividend in respect of the financial year therefore totals 1.0 pence per share (2016: 3.42 pence per share).

The Board will continue to evaluate future dividends and remains committed to returning surplus cash to shareholders after retaining sufficient capital to fund the required investment to support future business growth.

Cash resources and financing

As at 29 July 2017, the Group had aggregate available facilities of approximately £77 million (2016: £80 million) comprising a UK asset-backed revolving loan facility agreement with PNC Financial Services UK Limited and Wells Fargo Capital Finance (UK) Limited of £50 million and short-term financing facilities with Spanish banks BBVA and Banco Santander amounting to €30.0 million (2016: €49.6 million). The UK asset-backed facility can be increased annually over the peak season by a further £25 million. As at 29 July 2017, the UK and Spain facilities were undrawn.

On 6 October 2017, 14 October 2017, 17 October 2017, 27 October 2017 and 30 October 2017 the Company's Spanish subsidiary, Game Stores Iberia SLU, entered into and renewed a number of short-term financing facilities with Spanish banks Banco Bilbao Vizcaya Argentaria, S.A., Bankia S.A. and Ibercaja Banco S.A. in an aggregate amount of €40,600,000, comprising €25,600,000 of overdraft facilities and €15,000,000 of commercial credit guarantees made available to suppliers by the banks. The cost to the Group of the overdraft facilities is an arrangement fee up to 0.13 per cent, a quarterly commitment fee of between 0.10 per cent and 0.18 per cent per annum and interest on drawn funds up to 2.75 per cent per annum above Euribor. The cost to the Group of the bank guarantees is an arrangement fee of up to 0.15 per cent and a quarterly commitment fee of between 0.20 per cent and 0.30 per cent per annum.

The asset-backed revolving loan facility of up to £100.0 million with Lajedosa Investments S.à r.l., a related party, matured on 31 October 2017. No amount had been drawn under this facility up to the date of maturity.

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Working capital

Net investment in trade working capital decreased by £9.6 million to £43.8 million (2016: £54.0 million).

Trade working capital	**29 July 2017 (audited) £m**	30 July 2016 (audited) £m	Change £m
Inventory	81.2	76.1	5.1
Trade receivables	9.9	9.5	0.4
Trade payables	(47.3)	(31.6)	(15.7)
	43.8	54.0	(10.2)

The Group is carrying higher stock balances of £81.2 million at the end of the financial year, up £5.1 million on last year. This increase is explained by further investment in growth categories such as PC accessories and preowned phones and tablets, as well as the impact of foreign exchange rates on the Spanish balance. The Group continues to maintain a strong focus on the efficient management of console software and hardware stock.

The trade receivables balance increased modestly, to £9.9 million (2016: £9.5 million).

Trade payables increased by £15.7 million to £47.3 million. This movement was predominantly due to a strong focus on working capital management throughout the year as well as a timing benefit arising from the impact of the 53rd week last year which brought in an additional supplier payment run for the calendar month end in July 2016.

Prior period restatements and changes in accounting estimates

During the period, as part of a detailed review of financial processes, controls and reconciliations in the UK retail business, material differences were identified in two balance sheet accounts. Further investigation highlighted that the differences related to previous years and, due to their materiality, a prior period error has been recorded in the financial statements.

The first adjustment relates to the correction of accruals for stock received but not invoiced, of £2.3 million as at 25 July 2015 and a further £0.9m in the period ended 30 July 2016. Secondly, the provision for margin adjustments in relation to the sale of preowned goods was found to be understated and, accordingly, £0.7 million has been recorded as a deduction from revenue in the period ended 30 July 2016 and £0.9 million in the period ended 25 July 2015.

Accordingly, the Adjusted EBITDA for the 53 weeks ended 30 July 2016 was restated from £28.0 million to £26.4 million, reflecting an additional accrual for stock purchases of £0.9 million in the period and margin adjustment on preowned sales of £0.7 million.

The provision relating to the error in margin adjustments was identified and corrections have been made to restate amounts in the appropriate accounting periods. In order to recover potentially overpaid VAT on preowned goods, the error will need to be agreed with HMRC and, as there is currently no certainty over the recoverability of part or all of the error, no receivable balance has been recorded in the financial statements.

In the next financial year, and subject to agreement with HMRC, any amount recovered will be recorded in the statement of comprehensive income. Any material recovery will be presented as an exceptional item, and, subject to the size of the amounts it may require separate presentation and disclosure.

In addition, an exceptional item of £1.4 million was recorded in the income statement in the period ended 30 July 2016 for gift card expiries relating to prior periods and other similar prior year items. This was not considered to be a material prior period error requiring restatement at the time, however, together with the amounts identified in the current financial year, this £1.4 million has been reflected in the years to which it relates, being the period ended 25 July 2015 and earlier financial periods.

The Group has also undertaken a review of all its supplier funding arrangements and how these are reflected in the financial statements. In accordance with developing accounting practice and other recent guidance and interpretations, income received from suppliers in relation to promotional support where there are no directly attributable costs has been reclassified from other operating expenses to a deduction within cost of sales and a small amount recorded as revenue. The impact on the period ended 30 July 2016 has been to record an additional £0.1 million of revenue, an £11.8 million deduction to cost of sales and a corresponding £11.9 million increase to other operating expenses. The Adjusted EBITDA and operating profit for the prior period are unchanged as a result of this particular restatement.

Following the review into gift card reporting in the previous year, management have undertaken an additional project in the current year to age all gift card balances. This review has resulted in a change in the accounting estimate for the expiry rate and, accordingly, an additional £0.4 million of income has been recognised in the statement of comprehensive income, reflecting the change in the expiry rate methodology.

A similar detailed review of loyalty scheme balances by customers was also undertaken in the year, following a reduction in the validity period of loyalty scheme points in the previous period from 18 months to 12 months. This reduction had the effect of increasing the expiry rate and the resulting income recognition in the statement of comprehensive income in the current period. The change also resulted in higher expiries of points accrued in the previous financial period and, consequently, the value of prior year points recognised in the statement of comprehensive income when compared to the provision for expiries made at 30 July 2016. The reduced cost recorded in the statement of comprehensive income statement for points awarded in the prior year and recognised as expired that was incremental to the original accounting estimate of expected expiries made at 30 July 2016 was £1.0 million.

Going concern

The Directors have considered the activities and performance of the Group together with factors which could potentially affect future developments. After careful consideration, the Directors believe that the Group has sufficient cash resources and appropriate financing facilities to ensure payments can be made as they fall due.

In making their assessment the Directors have reviewed the Group's latest budget and forecasts and considered reasonably possible downside sensitivities in performance and mitigating actions. These indicate that the Group will operate within its cash resources, financing facilities and covenants. Accordingly, the financial statements have been prepared on the going concern basis.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the viability of the Company and Group over a longer period than the 12 months required by the Going Concern reporting requirements. The Directors concluded that an assessment period of three years to July 2020 is appropriate as this is consistent with the Group's three year plan process. The Group's plans takes into consideration the current and expected future market conditions and latest and projected trading performance, the Group's strategy, plans and the principal risks, as set out in the Report and Accounts.

In assessing viability, the Directors have considered the principal risks facing the Group and modelled reasonable downside scenarios to analyse the cash and borrowing levels as well as the headroom under the Group's facilities and this modelling included the potential for and effectiveness of mitigating actions. Various scenarios were modelled, some of which took account of the impact of plausible multiple risks occurring and these included faster declines in the console market including lower sales of physical software; slower growth in profits from its new growth activities including its experiential gaming concepts; and potential changes in the financial position including changes in lending and credit insurance arrangements. The Directors also considered other strategic initiatives that could mitigate against the risks assessed above including the potential sale of parts of the Group.

Based on this assessment and after careful consideration, the Directors believe that it is reasonable to expect that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 July 2020.

The Strategic report has been approved by the Board of Directors on 14 November 2017 and is signed on its behalf by:

Martyn Gibbs
Chief Executive Officer

Mark Gifford
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 29 July 2017

	Note	52 weeks ended 29 July 2017 Core Retail £m	Events, Esports & Digital £m	Total £m	53 weeks ended 30 July 2016 (Restated) Core Retail £m	Events, Esports & Digital £m	Total £m
Revenue	3	**769.7**	**13.2**	**782.9**	815.8	6.1	821.9
Cost of sales		**(567.1)**	**(10.7)**	**(577.8)**	(597.0)	(4.8)	(601.8)
Gross profit		**202.6**	**2.5**	**205.1**	218.8	1.3	220.1
Other operating expenses	4	**(207.3)**	**(12.8)**	**(220.1)**	(208.3)	(8.8)	(217.1)
Other exceptional income: gain on sale of property	5	**6.3**	**-**	**6.3**	-	-	-
Operating (loss)/profit before exceptional items and other income		**(4.7)**	**(10.3)**	**(15.0)**	11.0	(7.5)	3.5
Exceptional items	5	**6.3**	**-**	**6.3**	(0.5)	-	(0.5)
Operating profit/(loss)	6	**1.6**	**(10.3)**	**(8.7)**	10.5	(7.5)	3.0
Investment income		**0.1**	**-**	**0.1**	0.2	-	0.2
Finance costs		**(1.3)**	**(0.1)**	**(1.4)**	(1.3)	-	(1.3)
Profit/(loss) before taxation		**0.4**	**(10.4)**	**(10.0)**	9.4	(7.5)	1.9
Taxation		**(2.2)**	**0.1**	**(2.1)**	1.0	0.3	1.3
(Loss)/profit for the period attributable to equity holders of the Company		**(1.8)**	**(10.3)**	**(12.1)**	10.4	(7.2)	3.2
Total other comprehensive income - exchange differences on translation of foreign operations		**1.7**	**-**	**1.7**	3.9	-	3.9
Total comprehensive (expense)/income for the period attributable to equity holders of the Company		**(0.1)**	**(10.3)**	**(10.4)**	14.3	(7.2)	7.1
(Loss)/earnings per share							
Basic (pence)	8			**(7.1)**			1.9
Diluted (pence)	8			**(7.1)**			1.9

Consolidated Statement of Financial Position

As at 29 July 2017

	29 July 2017 £m	30 July 2016 (Restated) £m	25 July 2015 (Restated) £m
Non-current assets			
Property, plant and equipment	17.2	16.8	19.2
Intangible assets	47.5	56.7	61.0
Investments	-	-	0.2
Deferred tax asset	-	0.2	-
Trade and other receivables	2.5	2.0	-
	67.2	75.7	80.4
Current assets			
Inventories	81.2	76.1	66.2
Trade and other receivables	23.5	20.4	17.3
Current income tax assets	1.7	1.5	-
Financial assets at fair value through profit or loss	-	0.2	0.9
Cash and cash equivalents	47.2	48.8	63.1
	153.6	147.0	147.5
Assets of disposal group classified as held for sale	-	7.1	-
	153.6	154.1	147.5
Total assets	220.8	229.8	227.9
Current liabilities			
Trade and other payables	100.8	89.4	93.2
Borrowings	2.0	7.2	-
Current income tax liabilities	2.6	1.3	2.8
Leasehold property incentives	0.8	1.3	1.3
	106.2	99.2	97.3
Net current assets	47.4	54.9	50.2
Non-current liabilities			
Trade and other payables	-	1.1	0.3
Borrowings	2.6	3.1	0.1
Deferred tax liabilities	1.3	1.5	3.0
Leasehold property incentives	1.5	1.8	2.4
	5.4	7.5	5.8
Total liabilities	111.6	106.7	103.1
Net assets	109.2	123.1	124.8
Equity attributable to equity holders of the Company			
Share capital	1.7	1.7	1.7
Share premium	14.4	14.4	13.4
Merger reserve	130.9	130.9	130.9
Cumulative translation reserve	(1.7)	(3.4)	(7.3)
Other reserve	4.0	2.6	-
Retained deficit	(40.1)	(23.1)	(13.9)
Total equity	109.2	123.1	124.8

Consolidated Statement of Changes in Equity

For the 52 weeks ended 29 July 2017

	Note	Share capital £m	Share premium £m	Merger reserve £m	Cumulative translation reserve £m	Other reserve £m	Retained deficit £m	Total equity £m
At 25 July 2015 (as previously reported)		**1.7**	**13.4**	**130.9**	**(7.3)**	**-**	**(12.5)**	**126.2**
Effect of prior period errors	1	-	-	-	-	-	(1.4)	**(1.4)**
At 25 July 2015 (restated)		**1.7**	**13.4**	**130.9**	**(7.3)**	**-**	**(13.9)**	**124.8**
Profit for the period		-	-	-	-	-	3.2	**3.2**
Other comprehensive income		-	-	-	3.9	-	-	**3.9**
Total comprehensive income		-	-	-	**3.9**	**-**	**3.2**	**7.1**
Issue of share capital		-	1.0	-	-	-	-	**1.0**
Credit to equity for equity-settled share-based payments		-	-	-	-	-	0.9	**0.9**
Credit to equity for equity-settled post-acquisition remuneration		-	-	-	-	1.9	-	**1.9**
Deferred tax charge relating to share-based payments		-	-	-	-	-	(0.2)	**(0.2)**
Transfer to other reserve for prior period equity-settled post-acquisition remuneration		-	-	-	-	0.7	(0.7)	**-**
Dividends	7	-	-	-	-	-	(12.4)	**(12.4)**
At 30 July 2016		**1.7**	**14.4**	**130.9**	**(3.4)**	**2.6**	**(23.1)**	**123.1**
Loss for the period		-	-	-	-	-	(12.1)	**(12.1)**
Other comprehensive income		-	-	-	1.7	-	-	**1.7**
Total comprehensive income/(expense)		-	-	-	**1.7**	**-**	**(12.1)**	**(10.4)**
Credit to equity for equity-settled share-based payments		-	-	-	-	-	0.9	**0.9**
Credit to equity for equity-settled post-acquisition remuneration		-	-	-	-	1.4	-	**1.4**
Dividends	7	-	-	-	-	-	(5.8)	**(5.8)**
At 29 July 2017		**1.7**	**14.4**	**130.9**	**(1.7)**	**4.0**	**(40.1)**	**109.2**

Consolidated Statement of Cash Flows

For the 52 weeks ended 29 July 2017

	Note	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
Cash flow from operating activities			
Operating (loss)/profit		(8.7)	3.0
Depreciation	6	6.1	5.6
Amortisation	6	14.5	14.0
Impairment	6	-	0.1
Gain on sale of property	5	(6.3)	-
Loss on disposal of non-current assets	6	0.2	0.2
Cash-settled post-acquisition remuneration charge		0.8	0.8
Share-based payments expense		2.3	2.8
Increase in trade and other receivables		(2.8)	(3.1)
Increase in inventories		(3.4)	(6.6)
Increase/(decrease) in trade and other payables		8.1	(6.1)
Decrease in leasehold incentives		(0.8)	(0.6)
Cash generated by operations		**10.0**	**10.1**
Finance costs paid		(1.4)	(1.7)
Corporation tax paid		(0.9)	(3.9)
Net cash from operating activities		**7.7**	**4.5**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired		-	(1.5)
Purchase of property, plant and equipment		(6.5)	(7.1)
Purchase of intangible assets		(5.1)	(6.2)
Proceeds from sale of property, plant and equipment		13.3	-
Investment income		0.1	0.2
Net cash generated by/(used in) investing activities		**1.8**	**(14.6)**
Cash flows from financing activities			
Proceeds from borrowings		1.4	53.3
Repayments of borrowings		(1.6)	(51.8)
Dividends paid to owners of the Company	7	(5.8)	(12.4)
Net cash used in financing activities		**(6.0)**	**(10.9)**
Net increase/(decrease) in cash and cash equivalents		**3.5**	**(21.0)**
Cash and cash equivalents at beginning of period		43.1	63.1
Effect of foreign exchange rates		0.6	1.0
Cash and cash equivalents at end of period		**47.2**	**43.1**

Cash and cash equivalents include the following:

	29 July 2017 £m	30 July 2016 £m
Cash and cash equivalents	47.2	48.8
Bank overdrafts	-	(5.7)
Cash and cash equivalents	**47.2**	**43.1**

Notes

1 Basis of preparation

This statement is based on the Company's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

With the exception of the new and revised standards adopted in the year, as discussed below, there have been no significant changes in accounting policies from those set out in the GAME Digital plc's Annual Report and Accounts 2016. The accounting policies have been applied consistently throughout the 52 week period ended 29 July 2017 and 53 week period ended 30 July 2016.

The financial information set out in this statement does not constitute the Group's statutory accounts for the 52 week period ended 29 July 2017 and 53 week period ended 30 July 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor's reports on the 2016 and 2017 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The following new and revised standards and interpretations are relevant to the Group and have been adopted for the first time for the financial period. Their adoption has not had any significant impact on the amounts reported in the financial statements:

- Annual Improvements 2012 - 2014 Cycle
- Amendments to IAS 1 *Presentation of Financial Statements*
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- Amendments to IAS 27 *Consolidated and Separate Financial Statements*
- Amendments to IFRS 11 *Acquisitions of Interests in Joint Operations*

Going concern

The Directors have a reasonable expectation that the Group and the Company has adequate financial resources to ensure it continues to operate for a period of not less than 12 months from the approval of the Financial Statements. In reaching their conclusion the Directors have carefully considered the cash resources and financing facilities available to the Group and have reviewed budgets and forecasts including downside sensitivities. Given this information the Directors have adopted the going concern basis of accounting in preparing the financial statements.

2 Prior period restatements

During the period as part of a detailed review of processes, controls and reconciliations in the UK business, material differences were identified in two balance sheet accounts. Further investigation highlighted that the differences related to previous years and due to their materiality, require restatement of the results for the 53 week period ended 30 July 2016 as well as the consolidated statement of financial position as at 30 July 2016 and at 25 July 2015.

The first adjustment related to the correction of accruals for stock received but not invoiced of £2.3m in the period ended 25 July 2015 and a further £0.9m in the period ended 30 July 2016. The second adjustment was for a provision for margin adjustments in relation to the sale of preowned goods of £0.9m in the period ended 25 July 2015 and £0.7m in the period ended 30 July 2016.

The provision relating to the error in margin adjustments was identified and corrections have been made to restate amounts in the appropriate accounting periods. In order to recover potentially overpaid VAT on preowned goods, the error will need to be agreed with HMRC and, as there is currently no certainty over the recoverability of part or all of the error, no receivable balance has been recorded in the financial statements.

In the next financial year, and subject to agreement with HMRC, any amount recovered will be recorded in the statement of comprehensive income. Any material recovery will be presented as an exceptional item, and, subject to the size of the amounts it may require separate presentation and disclosure.

In addition, an exceptional item of £1.4m was recorded in the statement of comprehensive income in the period ended 30 July 2016 for gift card expiries relating to prior periods and other similar items. This was recorded in the 2016 financial statements as an exceptional item as it was not considered a material prior period error requiring restatement at the time. However together with the amounts above that have been identified to relate to the period ended 25 July 2015, the previously disclosed exceptional item of £1.4m has been reflected in the years to which it relates being the period ended 25 July 2015 and earlier financial periods.

In addition to the prior period error, the Group has undertaken a review of all its supplier funding arrangements and how these are reflected in the financial statements. In light of developing accounting practice and other recent guidance and interpretations, income received from suppliers in relation to promotional support where there are no directly attributable costs has been reclassified from other operating expenses to a deduction within cost of sales with a small proportion recorded as revenue.

A summary of the combined impact of the prior period adjustments as well as the reclassification of certain marketing income on the consolidated statement of comprehensive income and consolidated statement of cash flows for the 53 weeks ended 30 July 2016 as well as the consolidated statement of financial position as at 30 July 2016 and at 25 July 2015 arising from the restatements is as follows:

Consolidated statement of comprehensive income for the 53 weeks ended 30 July 2016

	Total as previously reported £m	Additional accrual for stock £m	Preowned margin £m	Exceptional items £m	Marketing income reclassification £m	Tax effect £m	Restated £m
Revenue	822.5	-	(0.7)	-	0.1	-	821.9
Cost of sales	(612.7)	(0.9)	-	-	11.8	-	(601.8)
Gross profit	209.8	(0.9)	(0.7)	-	11.9	-	220.1
Other operating expenses	(203.8)	-	-	(1.4)	(11.9)	-	(217.1)
Operating profit/(loss) before exceptional items	5.1	(0.9)	(0.7)	-	-	-	3.5
Exceptional items	0.9	-	-	(1.4)	-	-	(0.5)
Operating profit/(loss)	6.0	(0.9)	(0.7)	(1.4)	-	-	3.0
Investment income	0.2	-	-	-	-	-	0.2
Finance costs	(1.3)	-	-	-	-	-	(1.3)
Profit/(loss) before taxation	4.9	(0.9)	(0.7)	(1.4)	-	-	1.9
Taxation	0.7	-	-	-	-	0.6	1.3
Profit/(loss) for the period attributable to equity holders of the Company	5.6	(0.9)	(0.7)	(1.4)	-	0.6	3.2
Total other comprehensive income - exchange differences on translation of foreign operations	3.9	-	-	-	-	-	3.9
Total comprehensive income/(expense) for the period attributable to equity holders of the Company	9.5	(0.9)	(0.7)	(1.4)	-	0.6	7.1

Consolidated statement of cash flows for the 53 weeks ended 30 July 2016

	Total as previously reported £m	Additional accrual for stock £m	Preowned margin £m	Exceptional items £m	Marketing income reclassification £m	Tax effect £m	Restated £m
Net cash from operating activities	4.5	-	-	-	-	-	4.5
Net cash used in investing activities	(14.6)	-	-	-	-	-	(14.6)
Net cash used in financing activities	(10.9)	-	-	-	-	-	(10.9)
Net decrease in cash and cash equivalents	(21.0)	-	-	-	-	-	(21.0)
Cash and cash equivalents at beginning of period	63.1	-	-	-	-	-	63.1
Effect of foreign exchange rates	1.0	-	-	-	-	-	1.0
Cash and cash equivalents at end of period	43.1	-	-	-	-	-	43.1

Consolidated statement of financial position as at 30 July 2016

	As previously reported £m	Additional accrual for stock £m	Preowned margin £m	Exceptional items £m	Tax effect £m	Restated £m
Non-current assets						
Property, plant and equipment	16.8	-	-	-	-	16.8
Intangible assets	56.7	-	-	-	-	56.7
Deferred tax asset	0.2	-	-	-	-	0.2
Trade and other receivables	2.0	-	-	-	-	2.0
	75.7	-	-	-	-	75.7
Current assets						
Inventories	76.1	-	-	-	-	76.1
Trade and other receivables	20.4	-	-	-	-	20.4
Current income tax assets	0.5	-	-	-	1.0	1.5
Financial assets at fair value through profit or loss	0.2	-	-	-	-	0.2
Cash and cash equivalents	48.8	-	-	-	-	48.8
	146.0	-	-	-	1.0	147.0
Assets of disposal group classified as held for sale	7.1	-	-	-	-	7.1
	153.1	-	-	-	1.0	154.1
Total assets	228.8	-	-	-	1.0	229.8
Current liabilities						
Trade and other payables	84.6	3.2	1.6	-	-	89.4
Borrowings	7.2	-	-	-	-	7.2
Current income tax liabilities	1.3	-	-	-	-	1.3
Leasehold property incentives	1.3	-	-	-	-	1.3
	94.4	3.2	1.6	-	-	99.2
Net current assets	58.7	(3.2)	(1.6)	-	1.0	54.9
Non-current liabilities						
Trade and other payables	1.1	-	-	-	-	1.1
Borrowings	3.1	-	-	-	-	3.1
Deferred tax liabilities	1.5	-	-	-	-	1.5
Leasehold property incentives	1.8	-	-	-	-	1.8
	7.5	-	-	-	-	7.5
Total liabilities	101.9	3.2	1.6	-	-	106.7
Net assets	**126.9**	(3.2)	(1.6)	-	1.0	**123.1**
Equity attributable to equity holders of the Company						
Share capital	1.7	-	-	-	-	1.7
Share premium	14.4	-	-	-	-	14.4
Merger reserve	130.9	-	-	-	-	130.9
Cumulative translation reserve	(3.4)	-	-	-	-	(3.4)
Other reserve	2.6	-	-	-	-	2.6
Retained deficit	(19.3)	(3.2)	(1.6)	-	1.0	(23.1)
Total equity	**126.9**	(3.2)	(1.6)	-	1.0	**123.1**

Consolidated statement of financial position as at 25 July 2015

	As previously reported £m	Additional accrual for stock £m	Preowned margin £m	Exceptional items £m	Tax effect £m	Restated £m
Non-current assets						
Property, plant and equipment	19.2	-	-	-	-	19.2
Intangible assets	61.0	-	-	-	-	61.0
Investments	0.2	-	-	-	-	0.2
	80.4	-	-	-	-	80.4
Current assets						
Inventories	66.8	-	-	(0.6)	-	66.2
Trade and other receivables	17.8	-	-	(0.5)	-	17.3
Financial assets at fair value through profit or loss	0.9	-	-	-	-	0.9
Cash and cash equivalents	63.1	-	-	-	-	63.1
	148.6	-	-	(1.1)	-	147.5
Total assets	229.0	-	-	(1.1)	-	227.9
Current liabilities						
Trade and other payables	92.5	2.3	0.9	(2.5)	-	93.2
Current income tax liabilities	3.2	-	-	-	(0.4)	2.8
Leasehold property incentives	1.3	-	-	-	-	1.3
	97.0	2.3	0.9	(2.5)	(0.4)	97.3
Net current assets	51.6	(2.3)	(0.9)	1.4	0.4	50.2
Non-current liabilities						
Trade and other payables	0.3	-	-	-	-	0.3
Borrowings	0.1	-	-	-	-	0.1
Deferred tax liabilities	3.0	-	-	-	-	3.0
Leasehold property incentives	2.4	-	-	-	-	2.4
	5.8	-	-	-	-	5.8
Total liabilities	102.8	2.3	0.9	(2.5)	(0.4)	103.1
Net assets	**126.2**	(2.3)	(0.9)	1.4	0.4	**124.8**
Equity attributable to equity holders of the Company						
Share capital	1.7	-	-	-	-	1.7
Share premium	13.4	-	-	-	-	13.4
Merger reserve	130.9	-	-	-	-	130.9
Cumulative translation reserve	(7.3)	-	-	-	-	(7.3)
Retained deficit	(12.5)	(2.3)	(0.9)	1.4	0.4	(13.9)
Total equity	**126.2**	(2.3)	(0.9)	1.4	0.4	**124.8**

3 Segmental information

The Group's Chief Executive Officer is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Group's Chief Executive Officer considers the business from a geographic perspective for the retail businesses, namely the UK (including one store in the Isle of Man) and Spain and these segments are separately managed.

Recent acquisitions and new business ventures, comprising BELONG, Multiplay (UK) Limited, Ads Reality Limited and Game Esports Spain, are presented as a separate segment titled 'Events, Esports & Digital'. The performance of this segment is reviewed separately by the Chief Executive Officer, the activities are different to those of the retail segments and significant growth is expected in the next few years.

The Group's Chief Executive Officer assesses the performance of the operating segments based on Gross Transaction Value, Revenue and Adjusted EBITDA defined as follows:

- Gross Transaction Value is a non-IFRS measure defined as total retail receipts and all other Group revenue excluding VAT and before the deduction of revenue deferral relating to loyalty points and other accounting adjustments. Gross Transaction Value reflects the full retail sales value of digital sales, agency sales (including sales by business partners on GAME's Marketplace website), warranties and other similar arrangements and thereby includes the publishers' and sellers' shares of those transactions. Gross Transaction Value provides the most reliable measure of activity in an environment where more sales are expected to move from physical to digital.

- Revenue is measured in a manner consistent with that in the statement of comprehensive income.

- The Group defines Adjusted EBITDA as operating profit before depreciation and amortisation, exceptional and adjusting items (note 5). Adjusted EBITDA is a supplemental measure of the Group's performance and liquidity that is not required to be presented in accordance with IFRS.

The segment information provided to the Chief Executive Officer for the reportable segments is as follows:

	52 weeks ended 29 July 2017			53 weeks ended 30 July 2016 (Restated)		
	Core Retail £m	**Events, Esports & Digital £m**	**Total £m**	Core Retail £m	Events, Esports & Digital £m	Total £m
Gross Transaction Value						
UK	**562.0**	**12.7**	**574.7**	655.7	6.1	661.8
Spain	**315.8**	**0.5**	**316.3**	261.5	-	261.5
Total Gross Transaction Value	**877.8**	**13.2**	**891.0**	917.2	6.1	923.3
Revenue						
UK	**491.3**	**12.7**	**504.0**	583.4	6.1	589.5
Spain	**278.4**	**0.5**	**278.9**	232.4	-	232.4
Total revenue from external customers	**769.7**	**13.2**	**782.9**	815.8	6.1	821.9

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
Total Gross Transaction Value	**891.0**	923.3
Digital cost of sales	**(108.2)**	(93.6)
Other agency cost of sales	**(3.5)**	(2.6)
Loyalty points deferral	**(5.9)**	(10.5)
Other accounting adjustments	**9.5**	5.3
Total revenue	**782.9**	821.9

In the current year, management performed a detailed review and recalculation of the loyalty scheme in the UK following a reduction in the expiry period in the previous financial year. This resulted in a lower deduction for loyalty point redemptions being recorded in the current period revenue relating to a change in the accounting estimate of future expiries.

Other accounting adjustments comprise movements in provisions and estimates (including accounting for gift card, returns and deposits), other revenue for the Core Retail segment and marketing income (note 2).

	52 weeks ended 29 July 2017			53 weeks ended 30 July 2016 (Restated)		
	Core Retail £m	Events, Esports & Digital £m	Total £m	Core Retail £m	Events, Esports & Digital £m	Total £m
Adjusted EBITDA						
UK	1.8	(5.3)	(3.5)	18.5	(2.9)	15.6
Spain	12.2	(0.7)	11.5	11.0	(0.2)	10.8
Total Adjusted EBITDA	14.0	(6.0)	8.0	29.5	(3.1)	26.4
Depreciation and amortisation	(10.1)	(0.9)	(11.0)	(10.3)	(0.2)	(10.5)
Adjusting items (note 5):						
Brand and other acquired intangibles amortisation	(8.4)	(1.2)	(9.6)	(8.2)	(0.9)	(9.1)
Costs of post-acquisition remuneration	-	(2.2)	(2.2)	-	(2.7)	(2.7)
Cost of IPO-related share-based compensation	(0.2)	-	(0.2)	-	-	-
Acquisition-related costs	-	-	-	-	(0.5)	(0.5)
Impairment of investment	-	-	-	-	(0.1)	(0.1)
Total adjusting items	(8.6)	(3.4)	(12.0)	(8.2)	(4.2)	(12.4)
Exceptional items (note 5)	-	-	-	(0.5)	-	(0.5)
Other exceptional income: gain on sale of property (note 5)	6.3	-	6.3	-	-	-
Investment income	0.1	-	0.1	0.2	-	0.2
Finance costs	(1.3)	(0.1)	(1.4)	(1.3)	-	(1.3)
Profit/(loss) before taxation	0.4	(10.4)	(10.0)	9.4	(7.5)	1.9

	52 weeks ended 29 July 2017			53 weeks ended 30 July 2016 (Restated)		
	Core Retail £m	Events, Esports & Digital £m	Total £m	Core Retail £m	Events, Esports & Digital £m	Total £m
Total assets						
UK	129.7	17.6	147.3	149.7	20.3	170.0
Spain	72.9	0.6	73.5	59.2	0.6	59.8
Combined total assets	202.6	18.2	220.8	208.9	20.9	229.8
Total liabilities						
UK	66.2	5.6	71.8	65.2	7.1	72.3
Spain	39.8	-	39.8	34.4	-	34.4
Combined total liabilities	106.0	5.6	111.6	99.6	7.1	106.7

For the purposes of monitoring segmental performance and allocating resources between segments, the Group's Chief Executive Officer monitors the current and non-current assets and current and non-current liabilities attributable to each segment. All assets and liabilities are allocated to reportable segments.

Other segment information

	52 weeks ended 29 July 2017			53 weeks ended 30 July 2016		
	Core Retail £m	Events, Esports & Digital £m	Total £m	Core Retail £m	Events, Esports & Digital £m	Total £m
Depreciation and amortisation						
UK	15.9	2.1	18.0	16.1	1.1	17.2
Spain	2.6	-	2.6	2.4	-	2.4
Total	18.5	2.1	20.6	18.5	1.1	19.6

	52 weeks ended 29 July 2017			53 weeks ended 30 July 2016		
	Core Retail £m	Events, Esports & Digital £m	Total £m	Core Retail £m	Events, Esports & Digital £m	Total £m
Additions to non-current assets						
UK	7.4	2.6	10.0	12.4	4.0	16.4
Spain	1.6	-	1.6	1.6	0.6	2.2
Total	9.0	2.6	11.6	14.0	4.6	18.6

No impairment losses against property, plant and equipment and intangible assets have been recognised against any segment in either of the periods presented above.

Revenues from major products and services

The Group's revenues from its major products and services were as follows:

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
Content	286.9	313.8
Preowned	174.8	188.0
Accessories and Other	147.8	117.9
Sub-total	609.5	619.7
Hardware	173.4	202.2
Total revenue	782.9	821.9

Content revenue includes income relating to the sale of gaming products for use on hardware platforms, including both physical and digital content. Digital content is reported on a commission basis and is recognised net of associated purchase costs. Preowned includes the sale of preowned content, hardware and mobile devices. Accessories and Other includes the sale of console accessories, PC, VR and related accessories, licensed merchandise and all other retail revenue and all revenue from the Events, Esports & Digital segment. Hardware represents the sale of console platforms. No single customer contributed more than 10% to Group revenue.

The Group's revenue from external customers, based on the destination of the customer, and information on non-current assets by geographical location are detailed below:

	Revenue		Non-current assets	
	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m	29 July 2017 £m	30 July 2016 £m
UK	495.5	584.9	56.6	64.4
Spain	279.1	232.6	10.6	11.3
Other	8.3	4.4	-	-
Total	782.9	821.9	67.2	75.7

Revenue from the individual countries included within Other are not material.

4 Other operating expenses

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
Selling and distribution costs	154.3	157.0
Administrative expenses	65.8	60.1
Total operating expenses	220.1	217.1
Less exceptional items	-	(0.5)
Other operating expenses before exceptional items	220.1	216.6

5 Exceptional and adjusting items

The Group defines exceptional items as per the accounting policy. Certain items that do not meet the definition of exceptional but, in management's view are not reflective of underlying trading, are presented as adjusting items, when calculating non-GAAP performance measures, namely Adjusted EBITDA (note 3) and Adjusted Earnings per Share (note 8).

Exceptional items	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
Other exceptional income: gain on sale of freehold property	6.3	-
Redundancy and reorganisation costs	-	(0.5)
Total	6.3	(0.5)

On 7 October 2016, the Group sold its freehold property interest in the distribution centre and head office buildings located in Basingstoke, UK, and entered into an immediate leaseback of these premises. The total cash consideration was £13.5m less transaction costs of £0.2m resulting in an exceptional gain of £6.3m.

Redundancy and reorganisation costs were associated with the implementation of the organisational redesign for the UK businesses in the previous period to ensure they were structured and resourced to drive future growth opportunities and to realise savings opportunities.

Adjusting items in the period are as follows:

Adjusting items	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 £m
Brand and other acquired intangibles amortisation	9.6	9.1
Costs of post-acquisition remuneration	2.2	2.7
Cost of IPO-related share-based payment compensation	0.2	-
Costs relating to the acquisition of Ads Reality	-	0.5
Impairment relating to the acquisition of Ads Reality	-	0.1
Total adjusting items	12.0	12.4

Brand amortisation arose in the UK on the purchase of the trade and assets from the former GAME Group plc and in Spain on consolidation of the company. Following the acquisition of Multiplay (UK) Limited and Ads Reality, the separately identifiable intangible assets were capitalised, including brand value, customer relationships and contracts and technology, and amortised over their useful lives. These amortisation charges are recurring costs to the Group and therefore not classified as exceptional, however, as they are significant non-cash items and are not reflective of the underlying trading of the business are presented as adjusting items.

Post-acquisition remuneration relates to cash and shares payable to certain selling shareholders agreed at the time of the acquisition of Multiplay (UK) Limited and this cost is in addition to recurring annual remuneration for these employees. Similar post-acquisition remuneration is also payable, subject to certain performance criteria, in shares or cash to certain senior management of Ads Reality and is in addition to recurring annual remuneration for these employees.

One-off awards of ordinary shares were made in conjunction with the IPO in June 2014. The share-based payments charge and associated costs in respect of these awards are presented within adjusting items due to the nature of the awards. Subsequent annual awards are included within operating expenses as they are a recurring cost to the Group.

Legal and professional fees associated with the acquisition of Ads Reality and impairment of the investment are not deemed significant enough to meet the definition of exceptional items. However, as the costs are acquisition related and not part of the underlying trading of the business they are classified as adjusting.

6 Operating profit/(loss)

		52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 £m
Operating profit/(loss) is stated after charging/(crediting):			
Depreciation of property, plant and equipment		6.1	5.6
Gain on sale of freehold property		(6.3)	-
Loss on disposal of non-current assets		0.2	0.2
Amortisation of intangible assets		14.5	14.0
Impairment of investment		-	0.1
Staff costs		96.2	87.1
Net foreign exchange losses		0.1	-
Operating lease rentals	– leasehold premises	34.5	33.1
	– other	0.3	0.3

7 Dividends

Amounts recognised as distributions to owners of the Company in the period:

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 £m
Final dividend for the 52 weeks ended 25 July 2015 of 7.35p per share	-	12.4
Interim dividend for the 53 weeks ended 30 July 2016 of 1.67p per share	2.8	-
Final dividend for the 53 weeks ended 30 July 2016 of 1.75p per share	3.0	-
Total	5.8	12.4

Amounts proposed and not recognised as distributions to owners of the Company in the period:

Proposed interim dividend for the 52 weeks ended 29 July 2017 of 1.0p (2016: 1.67p) per share *	1.7	2.8
Proposed final dividend for the 52 weeks ended 29 July 2017 of nil pence (2016: 1.75p) per share	-	3.0

* The proposed interim dividend for the 52 weeks ended 29 July 2017 was paid to shareholders after the end of the accounting period on 4 August 2017 and therefore has not been included as a liability in these financial statements as per the accounting policy.

The GAME Digital plc Employee Benefit Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. The total dividends waived in the period were £nil (2016: £0.1m).

8 (Loss)/earnings per share

(Loss)/earnings per share has been calculated by dividing the (loss)/profit for the period by the weighted average number of ordinary shares in issue during the period.

Basic

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
(Loss)/profit for the period attributable to equity holders of the Company	(12.1)	3.2
Weighted average number of ordinary shares in issue	170,859,106	170,214,777
Less: weighted average number of shares held in trusts	(1,169,022)	(1,346,467)
Weighted average number of ordinary shares for basic earnings per share	169,690,084	168,868,310
Basic (loss)/earnings per share (pence)	(7.1)	1.9

Diluted

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
(Loss)/profit for the period attributable to equity holders of the Company	(12.1)	3.2
Weighted average number of ordinary shares in issue for basic earnings per share	169,690,084	168,868,310
Effect of dilutive potential ordinary shares:		
Share options and equity-settled post-acquisition remuneration	-	2,826,591
Weighted average number of ordinary shares for diluted earnings per share	169,690,084	171,694,901
Diluted (loss)/earnings per share (pence)	(7.1)	1.9

There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share for the period ended 29 July 2017 as the effect of all potentially dilutive shares outstanding was anti-dilutive.

Adjusted (loss)/earnings per share

	52 weeks ended 29 July 2017 £m	53 weeks ended 30 July 2016 (Restated) £m
(Loss)/profit for the period attributable to equity holders of the Company	**(12.1)**	3.2
Adjusting items:		
Brand and other acquired intangibles amortisation	**9.6**	9.1
Costs of post-acquisition remuneration	**2.2**	2.7
Cost of IPO-related share-based compensation	**0.2**	-
Costs relating to the acquisition of Ads Reality	**-**	0.5
Impairment relating to the acquisition of Ads Reality	**-**	0.1
Total adjusting items	**12.0**	12.4
Other exceptional income: gain on sale of property	**(6.3)**	-
Exceptional items	**-**	0.5
Tax on items above	**-**	(2.3)
Adjusted (loss)/profit for the period attributable to equity holders of the Company	**(6.4)**	13.8
Weighted average number of ordinary shares in issue for adjusted basic earnings per share	**169,690,084**	168,868,310
Adjusted basic (loss)/earnings per share (pence)	**(3.8)**	8.2
Weighted average number of ordinary shares in issue for adjusted diluted earnings per share	**169,690,084**	171,694,901
Adjusted diluted (loss)/earnings per share (pence)	**(3.8)**	8.0

9 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Transactions with related parties

In the previous period Game Retail Limited received software and development services from Paperclip Mobile Limited, a company in which the Group had a 3% holding. The fees paid for these services amounted to £0.1m and services were discontinued in May 2016 when the Group acquired the trade and assets of Paperclip Mobile Limited.

Game Stores Iberia SLU has a lease agreement for a property in which a member of key management owns 50% of the ordinary share capital of the lessor company. The annual rent is £0.1m and the lease term is for a period of five years from June 2015, however the lessee can terminate the lease at any time by providing three months' notice.

There were no amounts (2016: £nil) owed by or to related parties at the end of the financial period.

On 20 April 2016, the Company, its subsidiary Game Retail Limited (as borrower) and certain other subsidiaries of the Company entered into an asset-backed revolving loan facility of up to £100.0m with Lajedosa Investments S.à r.l., a related party which expired on 31 October 2017. Lajedosa Investments S.à r.l. is an associate of Duodi Investments S.à r.l. which is a related party of the Company by virtue of holding approximately 42.98% of the Company's ordinary share capital. No amount had been drawn under this facility up to the period end date. The cost to the Group of this facility should it be activated is a commitment fee of 0.5% per annum on the undrawn committed amount and interest on drawn funds of 5.5% per annum above LIBOR.

10 Post balance sheet events

Spanish financing facilities

On 6 October 2017, 14 October 2017, 17 October 2017, 27 October 2017 and 30 October 2017 the Company's Spanish subsidiary, Game Stores Iberia SLU, entered into and renewed a number of short-term financing facilities with Spanish banks Banco Bilbao Vizcaya Argentaria, S.A., Bankia S.A. and Ibercaja Banco S.A. in an aggregate amount of €40,600,000, comprising €25,600,000 of overdraft facilities and €15,000,000 of commercial credit guarantees made available to suppliers by the banks. The cost to the Group of the overdraft facilities is an arrangement fee up to 0.13 per cent, a quarterly commitment fee of between 0.10 per cent and 0.18 per cent per annum and interest on drawn funds up to 2.75 per cent per annum above Euribor. The cost to the Group of the bank guarantees is an arrangement fee of up to 0.15 per cent and a quarterly commitment fee of between 0.20 per cent and 0.30 per cent per annum.