GAMES WORKSHOP GROUP PLC

Annual report 2012

FINANCIAL HIGHLIGHTS

	2012*	Restated 2011
Revenue	**£131.0m**	£123.1m
Revenue at constant currency**	**£130.8m**	£123.1m
Operating profit - pre-royalties receivable	**£15.6m**	£12.8m
Royalties receivable	**£3.5m**	£2.4m
Operating profit	**£19.1m**	£15.2m
Pre-tax profit	**£19.5m**	£15.3m
Cash generated from operations	**£28.0m**	£25.8m
Earnings per share	**46.8p**	36.0p
Dividends per share declared in the year	**63p**	45p

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*For the 53 weeks ended 3 June 2012
**Constant currency revenue is calculated by comparing results in the underlying currencies for 2012 and 2011, both converted at the 2011 average exchange rates as set out on page 10.
Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010.

CHAIRMAN'S PREAMBLE

My favourite graph in our internal reporting shows the sales in each country going as far back as we have records. 1988, I believe. The really great part about it is that it has over 20 years of data. You can see proper trends over 20 years, and if your intention is to build a business that lasts, which mine always has been, then 'long term' means decades.

What does the graph show? It shows our rapid increase of sales in the 90s when we opened a lot of stores in the UK and a lot of businesses around the world. The UK line then shows a period of consolidation as that growth demanded we sort out our manufacturing and warehousing. Then we enter a short surge due to our intoxicating Lord of the Rings tie-in (everywhere except the US, interestingly enough) followed by a long hangover in Europe and a shorter one in the UK. Recently we have been flat and very recently trending upwards again.

Looking closely at the trend lines reveals interesting strategic information. The gradient of the US growth changed dramatically when we switched from using distributors to going direct to retailers; if you are considering such a move, do not hesitate. It is impossible to see where various electronic games devices were released, or the effect they have had on our sales. Each of these devices supposedly heralded the end for our antiquated miniatures - oh ye of little faith.

Underneath the main country based sales are the exciting slow but steady growth lines of Forge World and Black Library. And just recently the graph has been enhanced by the appearance of a red line at the bottom. I use fairly crude (and so, memorable) colour association for the lines. Red is China.

Why is this so interesting? First, it shows that even as we are very intent on the future growth of the business so we are constantly looking at our record to learn what not to do, and what to do again. Second, it gives perspective to our view that short-term issues are short-term. Third, it underlines what I said earlier: when we say we are a long-term business we mean it. We cannot guarantee to be around in 50 years time, but we certainly intend to be.

Short-termism is one of the evils of modern society. More shareholder value is destroyed by managers making dumb short-term decisions to enable them to produce glowing quarterly reports than ever is gained in the laughably inappropriately named 'transparency' they are supposed to bring.

If you would like more transparency on Games Workshop, come to our annual general meeting. You will see our facilities, and maybe be quite surprised by how interesting they are. You will get to meet all the people who do the important things and talk to them about their jobs. You will also get, if such is your desire, a foaming pint of Bugman's best in our famous bar. No, shareholders do not get a discount on beer. We don't do discounts, not even for you.

Tom Kirby
Chairman
30 July 2012

CEO's COMMENTARY

Performance

Our core business delivered a good performance in 2011/12. All three sales channels were in growth and we continued to open more Games Workshop Hobby centres and independent stockist accounts across the world. Gross margins have remained strong and our continuing stream of innovative new product releases continued to surprise and delight Hobbyists.

Our focus on improving the quality of service in our Hobby centres has given rise to healthy like for like growth in our Hobby centre channel across the world. It is particularly encouraging to see like for like growth in the UK and North America, our two largest businesses, and there were also good performances from our Hobby centres in Northern Europe, Germany, Italy and Japan. We continued to open our successful one man Hobby centre format in new cities, particularly in Europe and North America, replacing unprofitable shopping centre stores.

Sales to independent stockists have increased, particularly in the UK and North America where we have increased the number of independent accounts stocking our best selling ranges. Our web store has also delivered good growth, especially from the in-store terminals in Games Workshop Hobby centres, through which we offer access to our entire back catalogue of products.

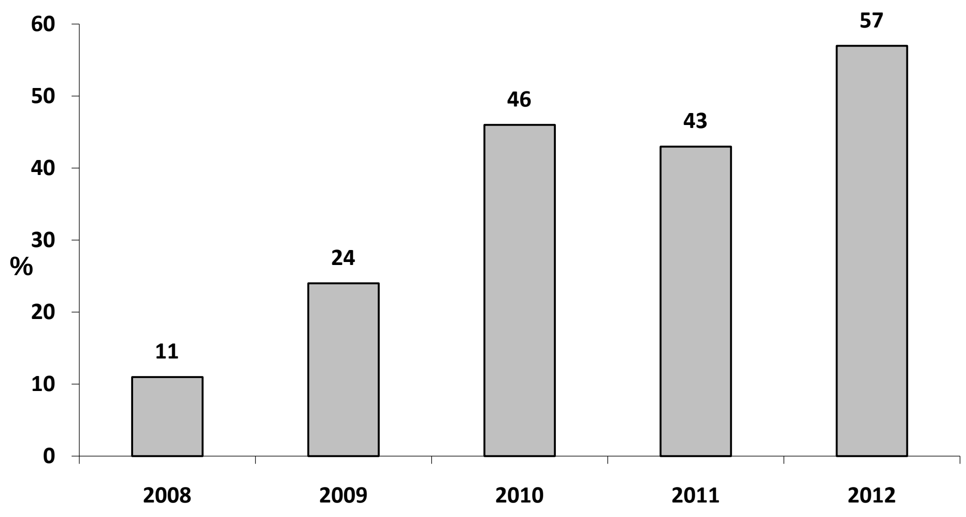
Gross margins have remained strong, benefitting from the relocation of all manufacturing activities back to Nottingham to work more closely with our design and supply teams. The Citadel Finecast resin range launched last year has seen both quality and efficiency improvements throughout the year and we expect further improvements as we continue to refine this new manufacturing process. Our latest innovation, the new Citadel paint range, has launched very successfully across all channels; I will comment further about this later in the report.

Forge World and Black Library, our two specialist businesses, have delivered excellent results this year. The new Warhammer Forge range has proved a very popular addition to Forge World and the Horus Heresy range of novels and limited edition novellas continue to be outstanding performers for Black Library.

Core business operating costs are under control and we have continued to manage our retail property and staff costs carefully. Central costs are up on last year as we invested in a new management information system, digital product and other central projects. We expect these investments to pay back within the next 12 months.

Asset turn has improved again this year through careful capital investment, prudent forecasting and good stock management. This, combined with an improving operating profit margin, has driven core business return on capital up to 47%. In addition, this year's unusual royalty income from THQ's Space Marine game has helped improve Group return on capital to 57%.

Return on capital*



*We use average capital employed to take account of the significant fluctuation in working capital which occurs as the business builds both inventories and trade debtors in the pre-Christmas trading period. Return is defined as pre-exceptional operating profit, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, exceptional provisions, taxation and dividends.

CEO's COMMENTARY continued

Review of 2011/12 initiatives

Each year we seek to address a small number of high priority issues to enhance the value of Games Workshop. We have found that the most effective way of achieving a successful result is to assign a dedicated project team to each initiative. The focus in 2011/12 was on a number of issues to help Games Workshop deliver volume growth; as described in this commentary, the results have been encouraging.

Retail Standards
A year ago we were busy rolling out improved customer service standards across all our Hobby centres. The standards of service we seek to deliver in our Hobby centres are enshrined in what we call the 10 Commandments of Customer Service. They were developed by our Hobby centre managers across the world in a series of global workshops. Each Hobby centre manager is committed to delivering these standards which they helped to develop.

In order to ensure that these standards are not only delivered but improved upon, we bring every manager to national training meetings every quarter. At these meetings, which we call Hobby Skills Camps, our regional managers and trainers conduct customer service role-play sessions with all managers to refresh and improve their skill in using them. These camps have also had a noticeable impact on morale. Those of you who know us well will appreciate that getting a large group of Games Workshop Hobby centre managers together in one place is never dull! We always have time for a few beers to celebrate success: our very own Joseph Bugman's XXXXXX brew of course!

The success of this initiative is reflected in the steady improvement in retail like for like growth reported above. Such is our confidence in the effectiveness of Hobby Skills Camps, they have now become the way we do business at Games Workshop and have been incorporated into our annual calendar.

At Games Workshop we have two performance related pay schemes, both of which have paid out this year. The first is the profit share scheme which is designed to share part of the profits generated in an exceptional year with the staff who made that performance possible. The profit share is a cash sum up to a maximum of £1,000 per member of staff. In defining exceptional performance, we only consider core business performance ahead of investor expectations. We exclude licensing income from this calculation as this is not the result of the work the majority of our staff perform. In the current year, the volume growth we have delivered has ensured the core business performed ahead of expectations and the payout is £475 per member of staff. The total amount of profit share was £864,000.

The other performance related pay scheme is for Hobby centre managers who deliver volume growth. The size of each award is 20% of sales growth achieved in his or her Hobby centre above Games Workshop price inflation. This year 207 managers received an award. The total amount of Hobby centre manager performance related pay was £652,000.

We plan to continue both schemes in 2012/13.

Manager pipeline
It has long been our belief that the most important factor in the performance of a Hobby centre is the quality of the manager. It is perhaps surprising therefore that until last year Games Workshop has not had a consistent approach to manager recruitment. Over the last 12 months a cross functional project team has established the best approach to recruiting good Hobby centre managers and has rolled this process out across the world.

We now have dedicated recruitment, induction, training and coaching resources for new Hobby centre managers in every territory. At each stage in this process, managers are assessed on their attitude and in particular on their 'fit' with Games Workshop. This is a rigorous process: we screen more than 100 applications to deliver one successful candidate. As a consequence, the quality of manager in Games Workshop Hobby centres has improved significantly.

Currently 98% of our Hobby centres have a trained manager and over half have a named successor ready to be deployed. We believe that this will help to ensure that our sales businesses are better able to respond to under-performance and deliver consistently high levels of customer service for our Hobbyists.

New cities
The one man format has proven to be the most profitable way of opening a Games Workshop Hobby centre in new locations. With lower set up and operating costs, these stores typically generate a profit within their first year of trading. Combined with the improvement in recruitment from our manager pipeline process described above, we have embarked on a new phase of openings in greenfield cities worldwide.

In the past year we have opened one man Hobby centres in the following cities for the first time: Amersfort, Dordrecht, Groningen, Oldenburg, Girona, Atlanta, Cincinnati, Denver, Indianapolis, Orlando, Phoenix and San Antonio. We have also opened a Hobby centre in China and in Poland for the first time. Both the Shanghai and Warsaw Hobby centres have seen encouraging sales in their first months of trading.

New cities continued
To ensure Hobby centre openings are successful, we conduct a local marketing campaign with clubs, schools, libraries, independent stockist accounts, the web and Facebook. Given the importance of word of mouth in recruiting new Hobbyists, the bigger the crowd at launch, the better a Hobby centre will perform in its first year as those initial partygoers promote Games Workshop to their friends. In almost every case, the launch weekend has seen a queue of excited Hobbyists eager to celebrate the opening. Cake, balloons, games and hundreds of Citadel miniatures are a winning combination!

Management information systems
As Games Workshop has become clearer about what the key drivers of our performance are, we have sought to provide accurate, consistent and timely performance indicators by which to manage the business. The biggest challenge in achieving this has been the wide variety of systems and metrics used in each sales business.

The management information project team has focused this year on establishing the KPIs of our retail channel. This involved agreeing a small number of consistent metrics for Hobby centre sales performance, a global database to consolidate the relevant data feeds and an iPad instrument panel for use by all field-based sales management. Particularly important was the development of trend information to help regional management take early and appropriate action.

This system has been rolled out across all sales businesses and has been instrumental in the effective performance management of our retail channel this year. The project team is now focused on developing KPIs for the manager pipeline and independent stockist sales teams around the world.

Citadel paint range
In April 2012, we relaunched our Citadel paint range to broad acclaim. The range was extended from 75 to 145 paints to provide Hobbyists with a complete painting system of highly technical paints that deliver excellent results. We also launched a How to Paint Citadel Miniatures book with accompanying DVD - which demonstrated each of the different techniques and was filmed in our Games Workshop TV studio. All our UK Hobby centre managers were given the opportunity to try the new paints after supper at the Hobby Skills Camps in March. Such was the popularity of the paints that Bugman’s Bar was empty until 11.00pm when the buses arrived to take the managers back to their hotel.

To give you an idea of how well the new Citadel paints were received by Hobbyists, the launch generated £2.75 million sales of paint in April alone. Of the 2.3 million pots that were dispatched from Lenton, some 2 million have already been sold. In sales to independent stockists all of the initial batch of 1,600 display racks sold through and we have had to order a further 600 racks to satisfy demand. We put a Direct bundle deal on our web store of the complete set of 145 paints priced at £333 and all 1,000 bundles sold out within a few days.

Our manufacturing and supply chain coped very well with the demand for the new Citadel paint range. By consolidating the bottling and filling operation in Lenton and by having a high quality paint supplier based in the UK, quality issues have been less than 0.01% and we have delivered a 15% reduction in cost per unit.

In addition, having all production based in the UK, we have been able to deliver a 99% in stock service level for retail. This in spite of the fact that we had to re-order some of the paint colours because we sold through three months’ worth of stock in three weeks. These re-orders were in the warehouse within 48 hours.

Following the launch, we have seen core games sales increase in many territories, which suggests that we have been able to use this launch to improve our recruitment activity. The high take up of the full size paint racks in sales to independent stockists suggests that the new paint range will be selling well throughout the year in those accounts. We have also ensured that each of the paints has a trademark protected name to prevent anyone else from mimicking our colour palette.

All in all, a great example of the power of our vertically integrated niche business model.

Focus for 2012/13

With Games Workshop's retail chain in better shape with good processes and disciplines in place, the focus this year has shifted to our other channels and supply chain to support continued volume growth.

Trade Standards
After the success of Retail Standards, in January 2012 we implemented a similar initiative to improve the performance of sales through our independent stockists channel by adapting best practice from our successful North American trade department. There are three elements to this project: getting the range right, getting the team right and getting the training right.

On range, we found that by offering accounts a simple modular approach to building their range, we were able to ensure they stocked and re-ordered our best selling products every month. We call this modular system our stockist range, and it has proven popular with independent accounts which form the bulk of Games Workshop's trade base. Over time signing up to the stockist programme should help accounts achieve consistent sales growth; this in turn should lead to better retention of accounts by Games Workshop.

CEO's COMMENTARY continued

Trade Standards continued
Within each trade team we have now established two distinct roles, which we refer to as Hunters and Farmers. Hunters are staff who find new accounts. They do this by making over 100 calls a week, from which they may open one or two new accounts. Farmers are staff who manage existing accounts and their primary task is to call accounts each week to ensure that they are in stock of the fast moving lines in their modules. As you can imagine each role requires a different personality. By getting the right person for the right role we have experienced much better performance in these two important aspects of our independent stockists channel.

Finally, regular training for Hunters and for Farmers has been introduced to improve skill levels. The training needs are different for each - although role-plays are critical to ensure these become second nature.

Trade Standards have only been in place for a few months and this will continue to be one of our key initiatives over the coming year.

Supply chain systems
Service levels provided by Games Workshop's warehouses in Nottingham, Memphis and Sydney have been excellent in recent years. These have been achieved while delivering significant cost saving and stock reduction goals through the application of continuous improvement techniques.

The systems that support our supply chain are many and varied, and have been adapted over the years leading to a number of bespoke applications that require constant maintenance by our tireless IT department. We have decided to embark on a programme of upgrades to replace these bespoke systems with industry standard applications that will be easier to maintain and upgrade.

The initial phase has already been implemented in the Eurohub warehouse in Nottingham with no disruption to service levels. Further phases are planned in Nottingham and in Memphis to ensure that volume growth can be delivered smoothly and efficiently over the coming years.

Global Games Day standards
One of the highlights in any Hobbyist's calendar is Games Day. We hold these events all over the world and they all have one thing in common: half of the attendees are seeking to purchase the latest Forge World, Black Library and Citadel products in the first two hours of their day. Unfortunately this has led to queues reminiscent of the M25 motorway on a bank holiday weekend.

After an unacceptable level of queuing at last year's UK Games Day, we have had a project team working on the problem for six months. A combination of more payment points including 20 additional tablet tills, better queuing systems, till and bag packer training, new packaging and bar code checks on Forge World products and a better co-ordinated sales area team are all being introduced this year.

These new measures are being piloted at the European Games Days this summer before the big test at UK Games Day in September. The lessons learned will be used to improve further this essential aspect of Games Workshop events across the world. Our goal is to ensure that Hobbyists can make their purchases with the minimum of queuing so that they can enjoy the other great Games Day activities on offer.

Global web store
Over the last four years Games Workshop's global web store has grown to represent 10% of sales. Over this time we have learnt much about what makes a good web store and there are a number of improvements we want to make to enhance its functionality and make the shopping experience easier and more enjoyable for Hobbyists. This will mean an upgrade of our ATG platform: we have deployed a project team to ensure this upgrade is delivered with minimal disruption to this increasingly important channel.

New products
For those of you who are Games Workshop Hobbyists, our new products pipeline is probably what interests you most. Sadly this is not something that I can say too much about: keeping details of our future releases secret until just before they are available to buy adds to the excitement and success of each launch. In the last 12 months we have narrowed the disclosure window to the weekend before release and sales of new products - and of White Dwarf which showcases the new products - have been significantly higher as a result.

What I can say is that we will release some amazing products this year. Products that will surprise and delight Hobbyists. We plan to do so every month, including December 2012 when we will release our new Hobbit range to coincide with the film. And... ahh, but that would spoil the surprise. You will just have to wait and see. You will not be disappointed.

Risks

For Games Workshop to continue to be successful, we need motivated, hardworking managers in all parts of the business who understand Games Workshop's niche business model, are aligned with its values and behaviours and are committed to getting things done. The biggest risk for Games Workshop is that we don't have enough of these managers to continue to grow the business globally. Over recent years, this risk has been mitigated through annual succession planning reviews and the personal development of managers through the Games Workshop Academy.

This year we have introduced a new programme for all managers which we named 'Understanding the Games Workshop Business'. The objective of this programme is to educate our future leaders on the critical success factors for running Games Workshop. So far, all senior managers have been through a series of workshops to understand how we recruit and retain good staff and how we manage our niche business model. This programme will be cascaded to all managers at Games Workshop. And then repeated every year.

Summary

Games Workshop has had a good year. We have launched some great new products including the new Citadel paint range. We have made good progress on all our major initiatives. This has resulted in an encouraging level of volume growth. We have a strong management team and excellent staff who are committed to delivering a healthy return on capital. We have honoured our commitment to distribute genuinely surplus cash to our shareholders.

As for the future, our objective is simple: we will continue to make the best fantasy miniatures in the world and sell them globally at a profit. We intend to do this forever.

The board believes the prospects for this business are good.

Mark Wells
CEO
30 July 2012

FINANCE REVIEW

53rd week

This annual report covers the 53 weeks to 3 June 2012.

Sales

Reported sales increased by 6.5% to £131.0 million for the year. On a constant currency basis, sales were up by 6.3% from £123.1 million to £130.8 million. Progress was achieved in all segments: UK (+2.6%), Continental Europe (+1.9%), North America (+11.2%), Australia (+0.7%), Export (+3.6%), Asia (+45.9%) and All other sales businesses (+25.3%).

Operating profit

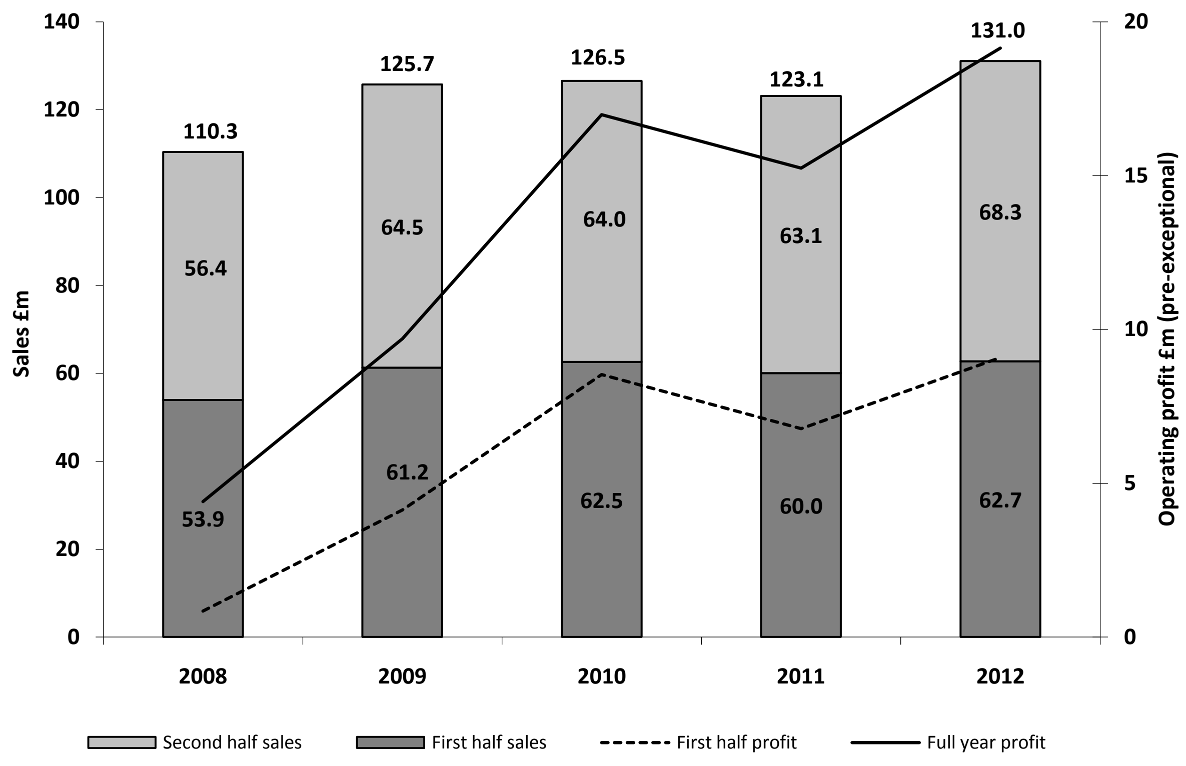
Core business operating profit (operating profit before royalty income) increased by £2.8 million to £15.6 million (2011: £12.8 million). On a constant currency basis, core business operating profit increased by £2.9 million to £15.7 million (2011: £12.8 million). This result was delivered by sales growth of 6.3%, with maintenance of our gross margin, partially offset by a £3.0 million increase in total operating expenses; included in the period reported is the cost of £0.9 million related to payment of the profit share and cost of £0.7 million related to payment of performance related pay to Hobby centre managers. Reported in central costs is £0.6 million related to central IT projects to deliver: improved IT hardware and software applications in our warehouses in Memphis and Nottingham and global projects in Retail and Trade Standards as well as improving the data storage and integrity of our management information.

After royalty income of £3.5 million (2011: £2.4 million) operating profit increased by £3.9 million to £19.1 million. On a constant currency basis, operating profit increased by £4.1 million to £19.3 million.

Profits

The sales and operating profits earned by the business over the last five years, split by half year, have been as follows:

Sales and operating profits



Cash generation and investment

During the year, the Group's core operating activities generated £19.6 million (2011: £19.5 million) of cash after tax payments. The Group also received cash of £3.4 million in respect of royalties in the year (2011: £2.8 million). After capital expenditure of £6.8 million (2011: £5.2 million) there were net funds at the year end of £17.4 million.

The term truly surplus cash is used as our measure of the scale of the funds available for distribution to shareholders. This term is not an IFRS measure and has been defined as the cash that is forecast to be left after making allowance for Hobby centre openings, regular capital expenditure and maintenance, investment in tooling, tax, plus a sum to ensure the business has sufficient working capital for its needs.

Inventory levels increased temporarily by £1.0 million in the year as we prepared for our new Citadel paint range launch. Over the year capital additions have been as follows:

	2012	2011
	£m	£m
Shop fits for new and existing Hobby centres	**0.8**	0.8
Production equipment and tooling	**2.9**	2.3
Computer equipment and software	**2.4**	2.0
Lenton site	**0.7**	0.1
Total capital additions	**6.8**	5.2

In the period reported we invested in shop fits: 20 new Hobby centres were opened and we refurbished six existing Hobby centres. During the year we increased our investment in production equipment to support our new product ranges. We invested £0.4 million investment in a new paint delivery system, £0.3 million in our new resin delivery system and £0.2 million in two new plastic injection machines. Computer equipment includes an additional investment of £0.2 million in management information systems. We have also invested £0.4 million in repairs to the Group's European distribution hub in Nottingham.

Capital expenditure is expected to be higher than depreciation and amortisation over the next few years as we upgrade our global web store. We expect that this investment will strengthen our internet sales capability and enable our web store to offer significantly enhanced customer service functionality.

Dividend

During the year we followed our principle of returning truly surplus cash to shareholders and declared dividends of 18 pence per share in July 2011, 29 pence per share in January 2012 and 16 pence per share in May 2012 (2011: 45p).

Dividend reinvestment plan

As before, shareholders are offered the opportunity automatically to reinvest their dividends in the Company's shares. The dividend reinvestment plan is a simple and cost-effective way to increase holdings and is administered by our registrars Equiniti Limited.

Taxation

The effective tax rate for the year was 24.4%. We would expect a rate above that of businesses with activities based solely in the UK due to higher overseas tax rates, however, the rate remains below the UK corporation tax rate due to the recognition of overseas losses generated in earlier years.

Treasury

The objective of our treasury operation is the management of financial risk at optimal cost. The relationship with the Group's external credit facility provider is managed centrally. It operates within a range of board approved policies. No transactions of a speculative nature are permitted.

Funding and liquidity risk

The Group finances its operations from shareholders' funds. The objective is to maintain an appropriate amount of reasonably priced funding for the Group's operational and strategic needs for the foreseeable future.

Interest rate risk

Net interest receivable for the year (excluding net foreign exchange gains and unwinding of discounts on provisions) was £142,000 (2011: net interest payable of £3,000). The need for protection against higher interest rates has been considered by the board and is not considered appropriate in the short term.

FINANCE REVIEW continued

Foreign exchange risk

The principal exchange rates used to translate our earnings and the balance sheet are as follows:

	euro		US dollar	
	2012	2011	**2012**	2011
Year end rate used for the balance sheet	**1.24**	1.15	**1.54**	1.65
Average rate used for earnings	**1.17**	1.17	**1.59**	1.59

We report our results in pounds sterling and the net impact in the 53 weeks ended 3 June 2012 of these exchange rate fluctuations on our operating profit was a reduction of £0.2 million.

The geographical spread of the Group's activities means that there is an element of natural hedging in place against the transactional exposure to foreign currency exchange rate fluctuations. Translational exposures for the trading results of non-sterling denominated subsidiaries are not hedged.

Key performance indicators (KPIs)

Currently, the KPIs used in the business relate to sales performance by business segment, gross margin for product development and manufacturing, cost control and return on capital employed throughout the business. KPIs evolve over time and are reviewed regularly for their appropriateness.

Kevin Rountree
COO
30 July 2012

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the 53 weeks ended 3 June 2012.

Principal activities
The principal activities of the Group are the design and manufacture of miniature figures and games and the retail and wholesale distribution of these products.

Business review
The CEO's commentary on pages 3 to 7 and the finance review on pages 8 to 10 provide a review of the business and progress against its key performance indicators during the year and descriptions of possible future developments and the principal risks and uncertainties facing the Group (pages 9 and 10 of the finance review and page 7 of the CEO's commentary). Policies on employees, the environment and social and community issues form part of this directors' report. This review contains or cross references the information required by section 417 of the Companies Act 2006.

Substantial shareholdings
The following interests in 3% or more of the issued share capital of the Company as at 27 July 2012 have been disclosed to the Company:

	No. of shares	%
The Nomad Investment Partnership LP	6,630,817	21.0
Investec Asset Management Limited	5,768,410	18.3
Phoenix Asset Management Partners Limited	3,466,218	11.0
Polar Capital Forager Fund Limited	1,162,220	3.7

The Company has not been notified of any other substantial shareholdings other than those of the directors, which are disclosed in the remuneration report on page 20.

Directors
The present directors of the Company are listed on page 23. All of the directors were members of the board throughout the year.

Under the Company's articles of association one third of the directors are required to retire by rotation at each annual general meeting. Those who retire are the longest in office since their election or last re-election. Under this formula at this year's annual general meeting, M N Wells is seeking re-election. In addition, as a result of their long service, independent directors C J Myatt and N J Donaldson are required to retire and are seeking re-election. In relation to the independent directors, the chairman has confirmed that, following formal performance evaluation, the performance of C J Myatt and N J Donaldson continues to be effective and they continue to demonstrate commitment to their roles as independent directors, including commitment of the necessary time to board and committee meetings and other duties. C J Myatt and N J Donaldson are considered by the board to be independent of the Group, as set out in the corporate governance report.

Directors' interests
The interests of the directors in the shares of the Company, together with details of share options granted to the directors, are disclosed in the remuneration report on pages 20 and 21. None of the directors had a material interest in any contract of significance to which the Company, or any of its subsidiaries, was a party during the year.

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors, as permitted by section 234 of the Companies Act 2006, which were in force during the year and up to 30 July 2012.

Information on executive directors
T H F Kirby (age 62), chairman. Tom Kirby joined Games Workshop in April 1986 as general manager and led the management buy-out in December 1991, becoming chief executive at that time. Between 1998 and 2000 he took on the role of non-executive chairman, returning to the role of chief executive in September 2000. He now performs the role of chairman following the appointment of Mark Wells as chief executive in December 2007. Prior to joining Games Workshop, Tom worked for six years for a distributor of fantasy games in the UK and was previously an Inspector of Taxes.

DIRECTORS' REPORT continued

Information on executive directors continued
M N Wells (age 50), CEO. Mark Wells joined Games Workshop in May 2000 as director of strategy and planning. He qualified as a solicitor with Messrs Herbert Smith in 1987, and subsequently held various management roles with Next PLC and Boots Group PLC, including director of customer service for Boots the Chemists and director of merchandise and marketing for Boots Stores, Netherlands.

K D Rountree (age 42), COO. Kevin Rountree joined Games Workshop in March 1998 as assistant group accountant. He then had various management roles within Games Workshop, including head of sales for the Other Activities division (including Black Library, licensing and Sabertooth Games). During the year ended 29 May 2011, he took on the responsibility of managing the Group's service centres globally. To reflect this, his title was changed to chief operating officer from chief financial officer. He, however, still retains responsibility for all financial matters within Games Workshop. He qualified as a chartered management accountant in August 2001. Prior to joining Games Workshop, Kevin was the management accountant at J Barbour & Sons Limited and trained at Price Waterhouse.

Information on independent directors
C J Myatt (age 68). Chris Myatt is the senior independent director, joining the board on 18 April 1996. He is honorary treasurer of Keele University, a member of its council and is additionally chairman of the Douglas Macmillan Hospice. He was formerly a divisional managing director within Tarmac PLC.

N J Donaldson (age 58). Nick Donaldson was appointed to the board on 18 April 2002. A barrister by profession, Nick is a partner of London Bridge Capital Limited. Nick was, until 2003, head of corporate finance at Arbuthnot Securities Limited and previously held senior investment banking positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is chairman of DP Poland PLC and F4G Software Limited.

Share capital, share rights and other information
As at 27 July 2012, the Company's authorised share capital was £2,100,000 divided into 42,000,000 ordinary shares of 5p each nominal value ('ordinary shares'). On 27 July 2012 there were 31,588,534 (2011: 31,222,133) ordinary shares in issue. These ordinary shares are listed on the London Stock Exchange. All ordinary shares rank equally with respect to voting rights and the right to receive dividends. Shares acquired through the Company's share schemes rank pari passu with the shares in issue and have no special rights. The holders of ordinary shares are entitled to receive the Company's annual report; to attend and speak at general meetings of the Company; to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of any class of share and no requirements for prior approval of any transfers. The directors may refuse to register a transfer of shares if there is a failure to comply with certain requirements of the Company's articles of association. None of the shares carries any special rights with regard to control of the Company.

In accordance with the Company's articles of associations, each share (other than those held in treasury) entitles the holder to one vote at general meetings of the Company on votes taken on a poll. On a show of hands at a meeting every member present in person or by one or more proxies and entitled to vote has one vote. Unless the directors decide otherwise, if a shareholder is given notice that he has failed to provide information required in relation to any shares pursuant to a notice under section 793 of the Companies Act 2006, that member will be unable to vote on those shares both in a general meeting and at a meeting of the shareholders of that class. If such shareholder holds more than 0.25% of the issued shares of a class (excluding treasury shares) and is in default of a section 793 notice, the directors may also state in the notice that: (i) the payment of any dividend shall be withheld; and (ii) that there can be no transfer of the shares held by such shareholder.

Subject to the provision of law, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interest, but no dividend may exceed the amount recommended by the directors. The directors may also declare and pay interim dividends. Subject to shareholder approval, the directors may pay dividends by issuing shares credited as fully paid up in lieu of cash dividends. If dividends remain unclaimed for 12 years they are forfeited and revert to the Company.

The rules about the appointment and replacement of directors are contained in the Company's articles of association. Directors may be appointed by the Company by ordinary resolution or by the board. A director appointed by the board holds office only until the next annual general meeting ('AGM'). At each AGM one third of the directors will retire by rotation and be eligible for re-election. The directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or re-appointment. The Company may also by ordinary resolution remove a director from the board of directors.

Changes to the articles of association must be approved by the shareholders in accordance with the legislation in force from time to time.

As at 3 June 2012, the Company had an unexpired authority to repurchase shares up to a maximum of 4,652,097 shares. During the year no shares were purchased in the market for cancellation.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that the provisions of the Company's sharesave scheme may cause options to be exercised on a takeover.

Constructive use of the annual general meeting

The chairmen of the audit, the City and the remuneration and nomination committees will be available to answer questions at the annual general meeting. Separate resolutions are proposed for substantially separate issues at the meeting and the chairman of the Company will declare the number of proxy votes received both for and against each resolution. Details of the resolutions that are being proposed at the annual general meeting are detailed below:

- **Resolution 1 – 2012 annual report**
  This is a resolution to lay before shareholders the annual report in respect of the 53 weeks ended 3 June 2012.
- **Resolutions 2 to 4 – re-election of directors**
  It is the Company's policy for all directors to retire at least every three years and to stand for re-election. M N Wells will retire and stand for re-election as a director at this meeting. In addition, as C J Myatt and N J Donaldson are independent directors who have served longer than nine years they are subject to annual re-election. Having considered the performance of and contribution made by each of the directors standing for re-election, the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and as such recommends their re-election. Brief biographical details of all directors standing for re-election are included on page 12.
- **Resolution 5 – appointment of auditors and auditors' remuneration**
  The auditors of a company must be reappointed at each general meeting at which accounts are laid. This resolution proposes the re-appointment of the Company's existing auditors, PricewaterhouseCoopers LLP, until the conclusion of the next general meeting at which accounts are laid and authorises the directors to determine the auditors' remuneration.
- **Resolution 6 – remuneration report**
  The remuneration report is in the 2012 annual report. Shareholders will be invited to approve the remuneration report.
- **Resolution 7 – authority to allot shares**
  This resolution deals with the directors' authority to allot Relevant Securities (as defined in the resolution) in accordance with section 551 of the Companies Act 2006 (the 'Act'). The maximum nominal amount of Relevant Securities which may be allotted under this resolution is £521,210 which represents approximately 33% of the Company's issued ordinary shares as at 27 July 2012. As at close of business on 27 July 2012, the Company did not hold any treasury shares. The authority granted by this resolution will expire on 19 December 2013 or, if earlier, the date of the next annual general meeting of the Company. The directors have no present intention to exercise this authority.
- **Resolution 8 – disapplication of pre-emption rights**
  This resolution will give the directors power, pursuant to the authority to allot granted by resolution 7, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £78,971 which represents approximately 5% of the Company's issued ordinary shares as at 27 July 2012. In compliance with the guidelines issued by the Pre-emption Group, the directors will ensure that no more than 7.5% of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance. The resolution also enables the Company, in event of a rights issue or open offer, to overcome certain practical difficulties which may arise in connection with fractional entitlements, or in respect of overseas shareholders as a result of local laws and which prevent shares from being issued on a strict pro rata basis. The power granted by this resolution will expire on 19 December 2013 or, if earlier, the date of the next annual general meeting of the Company. The directors have no present intention to exercise this authority.
- **Resolution 9 – authority to purchase own shares**
  This resolution seeks authority for the Company to make market purchases of its ordinary shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 4,706,691 of its ordinary shares, representing 14.9% of the Company's issued ordinary share capital as at 27 July 2012. The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of 19 December 2013 and the Company's 2013 annual general meeting. The directors do not currently have any intention of exercising the authority granted by this resolution. The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally. The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).
  On 3 June 2012, the total number of options to subscribe for ordinary shares in the Company amounted to 556,008 (2011: 674,306). This represented 1.8% of the Company's issued ordinary share capital on that date. If this authority to purchase shares was exercised in full the options would represent 2.1% of the issued ordinary share capital as at 3 June 2012. The Company does not have any outstanding share warrants.

Electronic Proxy Appointment ('EPA') is available for this year's AGM. EPA enables shareholders to lodge their proxy appointment by electronic means via a website provided by the Company's registrar, Equiniti Limited, at www.sharevote.co.uk. Further details can be found in the notes to the notice of meeting.

Auditors

As at 30 July 2012, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Corporate governance

The Company's statement on corporate governance is included in the corporate governance report on pages 16 to 18.

DIRECTORS' REPORT continued

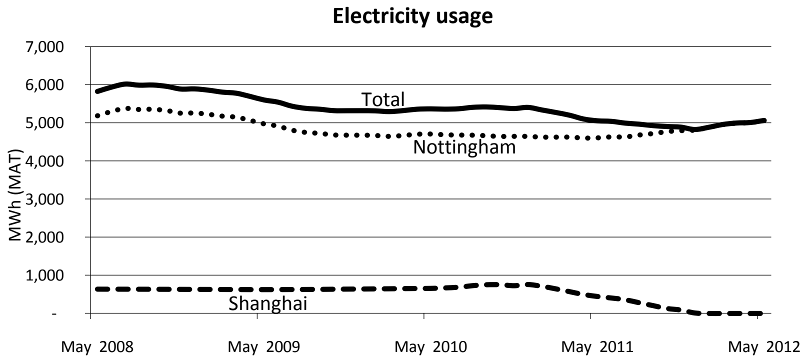
Financial risk management
The Company's policy on financial risk management is detailed in note 21 to the accounts.

Health, safety and environment
Games Workshop manages health, safety and environmental performance in accordance with our guiding principles:

- People - We will promote awareness of health, safety and environmental impacts and require personal ownership and accountability.
- Outreach - We will communicate as appropriate with stakeholders regarding the health, safety and environmental aspects and objectives of our operations.
- Impacts - We will assess the health, safety and environmental impacts and interactions of all business activities, products and services. We will promote the efficient use of energy and other resources while committing to reduce waste and emissions, particularly those that may present a risk to health and/or the environment.
- Compliance - We will meet or exceed all regulatory and company standards, and other requirements to which we subscribe. This will be verified through periodic auditing and assessment.
- Continual improvement - We will continually improve health, safety and environmental performance, including prevention of pollution and hazard reduction.

Health and safety
The number of reported accidents increased in the year (36 in 2011/12 versus 29 in 2010/11) largely as a result of a significant number of new processes introduced into Product and Supply, leading to an increase in minor accidents amongst production staff. Reporting of accidents has been improved and the Health and Safety team have been working closely with our Production teams to ensure we update and improve on our safe systems of work and behavioural safety.

Energy usage
Energy efficient lighting systems have now replaced old systems across the Nottingham and Memphis sites, saving up to 30% electricity usage in some areas. Consolidation of production from Shanghai to Nottingham has resulted in an increase in energy usage on the main Nottingham site, but flat year on year usage (consolidated). This is despite an increase of 4% in total production volume for the 2011/12 year, as shown below:



Electricity prices per unit continue to increase sharply (up by 20% in 2011/12) so more energy efficient systems and managing consumption by increased cost awareness will continue to be a focus for 2012/13.

Nottingham Workplace Parking Levy and travel to work
Games Workshop took the decision not to recharge employees for the newly introduced Nottingham City Council Workplace Parking Levy of £288 per year for each used workplace parking space. We continue to promote our cycle to work scheme, utilising the tax incentives introduced by the UK Government. We now have 118 users of the scheme at our Nottingham site (18% of Nottingham employees).

Waste management
In 2011/12 we sent 75% of our waste by weight for re-use or recycling from our Nottingham site (2011: 74%). 25% of our waste was sent for heat recovery at the Nottingham City Council incinerator (2011: 26%).

Charitable donations
Employees continue to carry out fund raising events for their chosen charities. Although we have decided that we will no longer make cash donations to charities, we are fully supportive of the work our employees do. We continue to donate old mobile phones and toner cartridges to charitable organisations.

No contributions are made to political parties.

Employees
The Group's policy is to consult and discuss with employees, at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group operates an employee sharesave scheme as a means of further encouraging the involvement of employees in the Group's performance.

The Group's policy is to consider, for recruitment, disabled workers for those vacancies that they are able to fill. All necessary assistance with training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Suppliers
The Group's policy is to aim to source and manage our suppliers in ways that are ethically feasible. This includes review of all key suppliers for certain standards of, amongst other things, health and safety, working hours, levels of wages and employment practices.

The number of days credit taken by the Group from its suppliers at the year end was 38 days (2011: 34 days). There are no contractual or other arrangements in place which are essential to the business.

Research and development
The Group does not undertake research activities. Development activities relate to the development of new product lines. The charge to the income statement for the year in respect of development activities is detailed in note 4 to the financial statements.

Going concern
After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

By order of the board

R F Tongue
Company Secretary
30 July 2012

CORPORATE GOVERNANCE REPORT

The Listing Rules of the Financial Services Authority require listed companies to disclose, in relation to section 1 of the UK Corporate Governance Code 2010 (the Code), how they have applied its principles and whether they have complied with its provisions throughout the accounting period. The UK Corporate Governance Code can be found at http://www.frc.org.uk.

This statement, together with the remuneration report on pages 19 to 21, explains how the Company has applied the principles and complied with the provisions set out in the Code.

The board operates through monthly meetings which senior executives attend on a regular basis. Major strategic decisions and the approval of any significant capital expenditure are reserved for decision by the board. The board is updated of operational decisions through the monthly meetings. Terms of reference for the board committees (as set out below) are available on the Company's website.

Detailed reviews of the performance of the Group's main business activities are included in the CEO's commentary and the finance review. The board presents these reviews, together with the directors' report on pages 11 to 15, to give a balanced and understandable assessment of the Group's position and prospects.

The board
The board comprises the chairman, the CEO, the COO and two independent directors.

The senior independent director is C J Myatt. The senior independent director is the lead independent director. His principal responsibilities include:

- to be available to shareholders if they have concerns which contact through the normal channels of the chairman, the CEO, or the COO, has failed to resolve, or for which such contact is not appropriate; and

- to ensure that the performance evaluation of the chairman is conducted effectively.

The two independent directors have a breadth of successful commercial and professional experience and are considered by the board to be independent of the Group. The Code states that the board should identify each independent director it considers to be independent, and the Code then lists various circumstances which may appear relevant to its determination. This includes (amongst others) if the director has served on the board for more than nine years.

At Games Workshop the board has had to confront one of these circumstances, as both of the independent directors have served for more than nine years.

In making this assessment as to independence, the board has taken into account the personal attributes of each director in relation to the current and future needs of the board. In the opinion of the board, independence (like judgement and wisdom) is not an attribute which can be measured by reference to a checklist. It is rather an attribute which the members of the board can observe being demonstrated by a director in his actions and interactions with other members of the board as it faces the various issues which are placed before it. Independence is the absence of complacency, lazy thinking and acceptance of the status quo.

Regarding the specific Code circumstance of service of over nine years, the board's position is as follows:

The 'nine year rule' is a helpful guide to the risk of directors becoming 'stale'. The board considers this risk periodically, but has not yet found it to be an issue at Games Workshop. If it did, it would react accordingly. At present the board feels that the requirement for members of the board to have a real understanding of, and empathy with, the Games Workshop Hobby to be a point in favour of retaining the experience which the board currently has.

Based upon its assessment, which focuses on each director's attitude towards making his best contribution to the progress of the Company, the board considers that both of the independent directors are independent.

The board operates primarily through its monthly meetings and is responsible for leading and controlling the Group and monitoring executive management. It meets at least nine times a year. In 2011/12 the board and its committees had ten scheduled meetings, each of which was attended by all members of the board with the exception of T H F Kirby who attended nine meetings.

All directors bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. The board considers that it has been supplied with sufficient timely and accurate information to enable it to discharge its duties.

All members of the board have access to the services and advice of the company secretary. There is a procedure for directors to take independent professional advice at the Company's expense where relevant to the execution of their duties. The executive directors attach great importance to ensuring that the independent directors are provided with accurate, timely and clear information on the Group. In addition, the independent directors are actively encouraged to update continually their knowledge of and familiarity with the Group and the issues affecting it, so as to enable them to fulfil effectively their roles on both the board and its committees.

The board continued
The board has established a process for the ongoing assessment of its own performance and that of its committees. In 2011/12 this review was conducted by way of private discussions, based upon a bespoke questionnaire, between the head of the Games Workshop Academy and a selection of internal and external stakeholders. These include the directors, senior managers, external advisers and shareholders. The results of the discussions were shared with the board. This will be an iterative process which will inform the board's development agenda on a regular basis.

Board committees
The board has three principal committees, all with written terms of reference which are published on the Company's website and which are available on application to the company secretary at the Company's registered office. The company secretary serves as secretary to all three committees. The chairmen of the audit, the City and the remuneration and nomination committees will be available to answer questions at the Company's annual general meeting.

Audit committee
The audit committee comprises the two independent directors under the chairmanship of C J Myatt, who is a chartered management accountant and has significant relevant financial and accounting knowledge and experience. The audit committee's terms of reference include monitoring the appropriateness of accounting policies, financial reporting, internal control and risk assessment and keeping under review the scope, results and effectiveness of the external and internal audits and the independence of the Company's external auditors.

The committee reviews the independence of the external auditors by assessing the arrangements for the day to day management of the audit relationship as well as reviewing the auditors' report which describes their procedures for identifying and reporting conflicts of interest. To maintain the auditors' independence, the committee has also established the policy that the primary role of the external auditors is to perform services directly related to their audit responsibilities. The Group uses other advisers for taxation advice and other services. The audit fees are disclosed in note 8.

During the year, in discharging its duties, the audit committee undertook the following actions:

- reviewed the 2011 annual report and 2011/12 half-year results;
- considered the output from the Group wide process to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls;
- reviewed and agreed the scope of the audit work undertaken by the external auditors;
- agreed the fees to be paid to the external auditors for the audit of the 2012 financial statements;
- agreed a programme of work for the internal auditors;
- received reports from the internal auditors on the work performed and management responses to points made in those audit reports.

The committee calls upon the external auditors, the internal auditors and the executive directors to attend formal meetings as required. These meetings are held at least three times a year. The external and internal auditors are given the opportunity to raise any matters or concerns they may have in the absence of the executive directors at separate meetings with the audit committee or its chairman. The audit committee held five meetings during the year, each of which was attended by all members of the committee.

The audit committee considers the reappointment of the external auditors each year, as well as remuneration and other terms of engagement. PricewaterhouseCoopers LLP have acted as external auditors of the Group since the 2005 year end, which was the last time the external audit process was put out to tender. There are no contractual obligations which restrict the choice of external auditors.

City committee
The City committee comprises the independent directors and is chaired by N J Donaldson. It normally meets at least twice a year and is responsible for corporate governance, investor relations, City presentations and liaison with City advisers.

Remuneration and nomination committee
The remuneration and nomination committee comprises the independent directors and is chaired by N J Donaldson. It normally meets at least twice a year and is responsible for making recommendations to the board on remuneration policy for senior executives and all executive directors (including determining specific remuneration packages, terms of employment and performance incentive arrangements). It is also responsible for nominating, for approval by the board, candidates for appointment to the board, and for vetting and approving the appointment of senior executives. The procedures and guidelines used by the remuneration and nomination committee in determining remuneration are outlined in the separate remuneration report. The remuneration and nomination committee held three meetings in the year, which were attended by all members of the committee. The committee meets without the executive directors at least annually to appraise the executive directors' performance.

CORPORATE GOVERNANCE REPORT continued

Internal control

The directors recognise that they have overall responsibility for ensuring that the Group maintains a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing its effectiveness. The system is designed to manage risks that may prevent the Group from achieving its business objectives, rather than to eliminate these risks. However, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place from the start of the year until the date of approval of this report. This process is regularly reviewed by the board throughout the period in accordance with the document 'Internal Control: Revised Guidance for Directors on the Combined Code', the revised Turnbull guidance, issued in October 2005.

The effectiveness of the Group's system of internal control is continuously reviewed by the board. The review covers all material controls, including financial, operational and compliance controls and risk management. The monitoring of control procedures is achieved through regular review by the COO, reporting to the board. This review process considers whether significant risks have been identified, evaluated and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. Regular reporting by senior management ensures that, as far as possible, the controls and safeguards are being operated appropriately. This process is considered by the audit committee, alongside the external auditors' reports.

The Group has continued its programme of internal audit reviews during the year. The audit committee agrees an annual internal audit plan, focusing on business specific issues. Actions agreed by management in response to recommendations made are followed up.

The board, with advice from the audit committee, has completed its annual review of the system of internal control in accordance with the guidance as set out in the revised Turnbull guidance, and is satisfied that it has acted appropriately and in accordance with that guidance. During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions is not considered appropriate.

Communication with shareholders

The Company attaches great importance to its annual general meeting, which it considers to be the primary platform of communication between the Company and its shareholders. On a continuing basis the Company encourages two way communication with its institutional and private shareholders and responds promptly to queries received verbally, in writing or directly through its investor relations website investor.games-workshop.com.

The chairman, the CEO and the COO are available to meet with major shareholders to update them on the Company's progress and to discuss any issues which shareholders may have. Any issues arising at such meetings are reported to and considered by the board.

Remuneration report

The Company's policy on executive remuneration and details of the executive directors' salaries, profit share and pensions, and fees for the independent directors are set out in the board report on remuneration on pages 19 to 21.

During the year, the executive directors participated in the Company's profit share scheme which applies equally to all employees. The maximum bonus that can be earned is £1,000 per person.

Statement of compliance with the UK Corporate Governance Code

The Company has complied with all of the provisions set out in section 1 of the Code.

By order of the board

R F Tongue
Company Secretary
30 July 2012

REMUNERATION REPORT

Remuneration and nomination committee
The committee comprises solely the independent directors, namely, N J Donaldson (chairman) and C J Myatt. T H F Kirby, M N Wells and K D Rountree present proposals as and when required and attend meetings at the committee's request. No external advisers are currently retained by the committee.

Remuneration policy
Throughout the year the Company complied with the provisions of the UK Corporate Governance Code relating to the design of performance-related remuneration for directors. In preparing this report the board has followed the provisions of the Code.

Independent directors
The remuneration of the independent directors is reviewed on an annual basis by the executive directors. A recommendation is made to the board which determines any increase in their remuneration. The independent directors are only entitled to fees and do not participate in any of the Company's profit share, pension or share schemes.

Executive directors
The overall policy for executive directors is set out below:

a) the remuneration of executive directors (consisting of basic salary, pension benefits and benefits in kind) will be competitive with those of other comparable organisations so as to attract and retain high calibre individuals with the relevant experience;

b) part of the remuneration will be based on the financial performance of the Group using predetermined targets;

c) personal reviews of the executive directors will be carried out annually to assess their performance in meeting individual objectives.

The fixed and variable related components of the remuneration packages for executive directors are as follows:

a) basic salary, including benefits and pension contributions (fixed);

b) profit share (variable).

Salaries
Salaries are reviewed annually and, in deciding the appropriate salary levels, the committee takes into consideration a number of factors, including the executive director's performance, his experience and responsibility. The committee also takes into consideration pay and employment conditions of employees elsewhere in the Group and in addition, from time to time, takes independent advice on salary benchmarking to assist in its review of remuneration packages of the executive directors. Salaries, excluding profit share, are pensionable.

Profit share
During the year, the executive directors participated in a profit share scheme which applies equally to all employees. The maximum payment that can be earned is £1,000 per person (before tax). There will be profit share payments of £475 each in respect of 2011/12.

Benefits in kind
Each executive director is provided with private medical insurance. T H F Kirby and M N Wells are also provided with fuel.

Share option schemes
Executive directors are only able to participate in the sharesave scheme which is available to all employees. There are no performance conditions relating to sharesave share options.

Service contracts
Each of the executive directors has a service agreement with the Company which is capable of termination by either party on giving 12 months' notice. If the Company gives notice then the Company reserves the right to pay salary in lieu of notice. The service agreements are silent regarding the payment that may be due in the event of early termination by the Company.

The service agreements are also capable of termination by the Company on giving three months' notice in the event of an executive director's absence for ill health in excess of 120 business days in any 12 month period. No compensation is payable in the event of termination of the agreement due to gross misconduct.

Contracts on this basis were entered into by T H F Kirby on 4 June 2009, M N Wells on 3 December 2007 and K D Rountree on 25 February 2009. The contracts are for an unlimited duration.

REMUNERATION REPORT continued

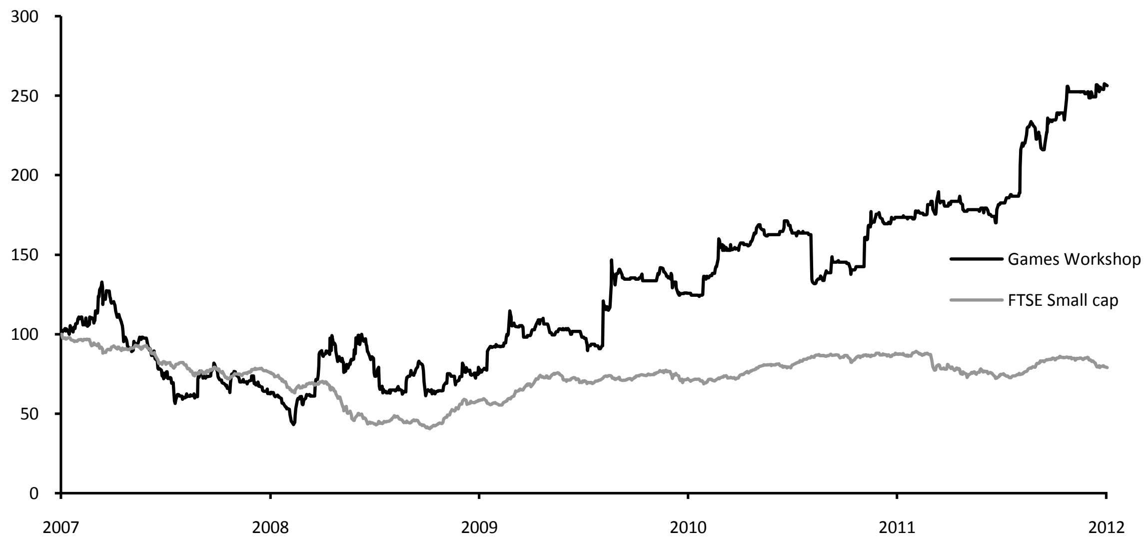
Service contracts continued

Under the service agreements of the independent directors, the period of appointment is one year and may be terminated by either party on giving six months' notice. The service agreements are also capable of termination by the Company on giving summary notice in the event of an independent director's absence in excess of six calendar months in any 12 month period. There is no entitlement to compensation for loss of office in the event of termination of the agreement. Agreements on this basis were entered into by C J Myatt on 27 March 2012 and N J Donaldson on 4 April 2012. The effective date for both contracts was 1 April 2012.

The articles provide that at least one third of the directors be subject to re-election by rotation at each general meeting.

Performance graph

The graph below represents the comparative total shareholder return performance of the Company against that of the index of the FTSE small cap companies during the previous five years. The index of the FTSE small cap companies has been used because the constituents of this index most appropriately reflect the Company's size when compared to alternative indices.



Directors' interests in shares of the Company

The directors' interests (including their families) in the shares of the Company were as follows:

	As at 3 June 2012 ordinary shares of 5p each		As at 29 May 2011 ordinary shares of 5p each	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
T H F Kirby	**2,098,009**	**25,385**	1,913,009	25,385
M N Wells	**75,678**	**61,052**	68,150	57,436
K D Rountree	**6,146**	**-**	1,126	-
C J Myatt	**66,500**	**-**	66,500	-
N J Donaldson	**20,000**	**-**	20,000	-

The following sections of the remuneration report have been audited:

Directors' emoluments for the 53 weeks ended 3 June 2012

	Fees 2012 £000	Salary 2012 £000	Profit share 2012 £000	Benefits in kind 2012 £000	**Total emoluments 2012 £000**	Total emoluments 2011 £000	**Pension contributions 2012 £000**	Pension contributions 2011 £000
Executive directors								
T H F Kirby	-	352	-	26	**378**	479	**35**	35
M N Wells	-	266	-	2	**268**	268	**39**	39
K D Rountree	-	202	-	1	**203**	187	**24**	22
Independent directors								
C J Myatt	50	-	-	-	**50**	50	**-**	-
N J Donaldson	42	-	-	-	**42**	42	**-**	-
	92	820	-	29	**941**	1,026	**98**	96

As announced on 25 January 2011, the chairman, T H F Kirby, handed over responsibility for the North American sales business to the new Head of Sales for that territory in February 2011. During the period January 2010 until February 2011, T H F Kirby received further remuneration, in addition to his remuneration as chairman, to compensate him for this specific assignment and the related costs, including relocation and accommodation.

In addition, Mrs K Kirby received £38,815 during the year from the Group for her work as an IT consultant.

Pensions

The Company contributes into a self invested personal pension scheme for T H F Kirby. The Company contributes into the Group’s personal pension scheme for M N Wells and K D Rountree. These are defined contribution schemes and so the Company’s contributions set out above reflect the full cost during the year of providing pension benefits to these directors.

Share options

Share options granted to the directors were as follows:

	At 29 May 2011	(Exercised)/ granted	**Number as at 3 June 2012**	Gain on exercise £000	Exercise dates Commencement	Expiry	Exercise price
K D Rountree	5,020	(5,020)	**-**	12	Nov-11	Apr-12	191.2p
	-	2,513	**2,513**	-	Nov-14	Apr-15	358p
M N Wells	5,020	(5,020)	**-**	12	Nov-11	Apr-12	191.2p
	-	2,513	**2,513**	-	Nov-14	Apr-15	358p
T H F Kirby	2,641	-	**2,641**	-	Nov-13	Apr-14	340.7p

The options above were granted under the Games Workshop Group PLC 2005 Savings-Related Share Option Scheme. This scheme is open to all eligible employees and directors who satisfy a service qualification of at least three months.

There were no other movements in directors’ share options during the year. No other directors have been granted share options in the shares of the Company.

On 29 June 2012, K D Rountree acquired 169 of the Company’s shares under the Company’s dividend reinvestment plan. This is the only movement in directors’ interests in shares of the Company between 3 June 2012 and the date of this report.

The mid-market price of the Company's shares on 3 June 2012 was 562.5p (29 May 2011: 427.5p) and the range of the market prices during the year was 405p to 580p (2011: 340p to 460p).

Apart from the interests disclosed above, no directors had any interest at any time in the year in the share capital of the Company or other Group companies.

By order of the board

N J Donaldson
Chairman
Remuneration and nomination committee
30 July 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 23, confirms that, to the best of his knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the CEO's commentary and the finance review include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the board

R F Tongue
Company Secretary
30 July 2012

COMPANY DIRECTORS AND ADVISERS

Directors
T H F Kirby, chairman
M N Wells, chief executive officer
K D Rountree, chief operating officer
C J Myatt, senior independent director
N J Donaldson, independent director

Company Secretary
R F Tongue

Registered office
Willow Road, Lenton, Nottingham, NG7 2WS

Registered number
2670969

Financial advisers and stockbrokers
Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

Principal bankers
Bank of Scotland, 2nd Floor, 125 Colmore Row, Birmingham, B3 3SF

Statutory auditors
PricewaterhouseCoopers LLP, Donington Court, Pegasus Business Park, Castle Donington, East Midlands, DE74 2UZ

Registrars
Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA

Solicitors
Shoosmiths, Waterfront House, Waterfront Plaza, 35 Station Street, Nottingham, NG2 3DQ

INDEPENDENT AUDITORS' REPORT

To the members of Games Workshop Group PLC

We have audited the financial statements of Games Workshop Group PLC for the period ended 3 June 2012 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated and Company statements of comprehensive income, the consolidated and Company cash flow statements, the consolidated and Company statements of changes in total equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 June 2012 and of the Group's profit and the Group's and the parent company's cash flows for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the lAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance report set out on pages 16 to 18 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 15, in relation to going concern;
- the parts of the corporate governance report relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
30 July 2012

CONSOLIDATED INCOME STATEMENT

	Notes	53 weeks ended 3 June 2012 £000	Restated * 52 weeks ended 29 May 2011 £000
Revenue	3	**131,009**	123,052
Cost of sales		**(30,118)**	(28,288)
Gross profit		**100,891**	94,764
Operating expenses	4	**(85,288)**	(81,975)
Other operating income - royalties receivable		**3,537**	2,455
Operating profit	3	**19,140**	15,244
Finance income	6	**434**	132
Finance costs	7	**(100)**	(89)
Profit before taxation	8	**19,474**	15,287
Income tax expense	9	**(4,760)**	(4,047)
Profit attributable to equity shareholders	27	**14,714**	11,240

Earnings per share for profit attributable to the equity shareholders of the Company during the period (expressed in pence per share):

Basic earnings per ordinary share	11	**46.8p**	36.0p
Diluted earnings per ordinary share	11	**46.6p**	35.7p

STATEMENTS OF COMPREHENSIVE INCOME

	Group		Company	
	53 weeks ended 3 June 2012 £000	Restated* 52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000
Profit attributable to equity shareholders	**14,714**	11,240	**19,235**	17,916
Other comprehensive expense				
Exchange differences on translation of foreign operations	**(298)**	(981)	**-**	-
Other comprehensive expense for the period	**(298)**	(981)	**-**	-
Total comprehensive income attributable to equity shareholders	**14,416**	10,259	**19,235**	17,916

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

The notes on pages 30 to 56 are an integral part of these financial statements.

*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see note 10).

BALANCE SHEETS

		Group			Company	
			Restated*	Restated*		
		3 June 2012	29 May 2011	30 May 2010	**3 June 2012**	29 May 2011
	Notes	**£000**	£000	£000	**£000**	£000
Non-current assets						
Goodwill	13	**1,433**	1,433	1,433	**-**	-
Other intangible assets	14	**5,177**	4,968	5,889	**-**	-
Property, plant and equipment	15	**20,567**	21,047	23,264	**-**	-
Investments in subsidiaries	16	**-**	-	-	**30,584**	30,584
Trade and other receivables	19	**1,529**	1,815	1,678	**3,900**	3,900
Deferred tax assets	17	**7,335**	6,475	5,474	**6**	21
		36,041	35,738	37,738	**34,490**	34,505
Current assets						
Inventories	18	**9,477**	8,431	10,138	**-**	-
Trade and other receivables	19	**11,068**	9,790	10,043	**1,207**	1,521
Current tax assets		**407**	593	301	**-**	-
Cash and cash equivalents	20	**17,358**	17,572	17,089	**5,932**	254
		38,310	36,386	37,571	**7,139**	1,775
Total assets		**74,351**	72,124	75,309	**41,629**	36,280
Current liabilities						
Trade and other payables	22	**(19,603)**	(12,383)	(13,967)	**(5,332)**	(353)
Current tax liabilities		**(3,479)**	(3,119)	(1,027)	**-**	-
Provisions	24	**(1,172)**	(1,384)	(1,848)	**(2)**	-
		(24,254)	(16,886)	(16,842)	**(5,334)**	(353)
Net current assets		**14,056**	19,500	20,729	**1,805**	1,422
Non-current liabilities						
Other non-current liabilities	23	**(301)**	(434)	(582)	**-**	-
Provisions	24	**(1,189)**	(1,677)	(1,442)	**(8)**	(6)
		(1,490)	(2,111)	(2,024)	**(8)**	(6)
Net assets		**48,607**	53,127	56,443	**36,287**	35,921
Capital and reserves						
Called up share capital	25	**1,579**	1,561	1,557	**1,579**	1,561
Share premium account	25	**8,737**	8,048	7,837	**8,737**	8,048
Other reserves	26	**2,443**	2,741	3,722	**101**	101
Retained earnings	27	**35,848**	40,777	43,327	**25,870**	26,211
Total shareholders' equity		**48,607**	53,127	56,443	**36,287**	35,921

The notes on pages 30 to 56 are an integral part of these financial statements.

*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see note 10).

The financial statements on pages 26 to 56 were approved by the board of directors on 30 July 2012 and were signed on its behalf by:

M N Wells, Director

K D Rountree, Director

Registered number 2670969

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves (note 26) £000	Retained earnings (note 27) £000	Total equity £000
At 31 May 2010 as previously reported	1,557	7,837	3,722	42,187	55,303
Change in accounting policy (note 10)	-	-	-	1,140	1,140
At 31 May 2010 as restated*	1,557	7,837	3,722	43,327	56,443
Profit for the 52 weeks to 29 May 2011	-	-	-	11,240	11,240
Exchange differences on translation of foreign operations	-	-	(981)	-	(981)
Total comprehensive (expense)/income for the period	-	-	(981)	11,240	10,259
Transactions with owners:					
Share-based payments	-	-	-	141	141
Shares issued under employee sharesave scheme	4	211	-	-	215
Deferred tax credit relating to share options	-	-	-	97	97
Dividends to company shareholders	-	-	-	(14,028)	(14,028)
Total transactions with owners	4	211	-	(13,790)	(13,575)
At 29 May 2011 and 30 May 2011	1,561	8,048	2,741	40,777	53,127
Profit for the 53 weeks to 3 June 2012	-	-	-	14,714	14,714
Exchange differences on translation of foreign operations	-	-	(298)	-	(298)
Total comprehensive (expense)/income for the period	**-**	**-**	**(298)**	**14,714**	**14,416**
Transactions with owners:					
Share-based payments	-	-	-	254	254
Shares issued under employee sharesave scheme	18	689	-	-	707
Deferred tax charge relating to share options	-	-	-	(67)	(67)
Dividends to company shareholders	-	-	-	(19,830)	(19,830)
Total transactions with owners	**18**	**689**	**-**	**(19,643)**	**(18,936)**
At 3 June 2012	**1,579**	**8,737**	**2,443**	**35,848**	**48,607**

*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see note 10).

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 31 May 2010	1,557	7,837	101	22,182	31,677
Profit for the 52 weeks to 29 May 2011	-	-	-	17,916	17,916
Total comprehensive income for the period	-	-	-	17,916	17,916
Transactions with owners:					
Share-based payments	-	-	-	141	141
Shares issued under employee sharesave scheme	4	211	-	-	215
Dividends to company shareholders	-	-	-	(14,028)	(14,028)
Total transactions with owners	4	211	-	(13,887)	(13,672)
At 29 May 2011 and 30 May 2011	1,561	8,048	101	26,211	35,921
Profit for the 53 weeks to 3 June 2012	-	-	-	19,235	19,235
Total comprehensive income for the period	**-**	**-**	**-**	**19,235**	**19,235**
Transactions with owners:					
Share-based payments	-	-	-	254	254
Shares issued under employee sharesave scheme	18	689	-	-	707
Dividends to company shareholders	-	-	-	(19,830)	(19,830)
Total transactions with owners	**18**	**689**	**-**	**(19,576)**	**(18,869)**
At 3 June 2012	**1,579**	**8,737**	**101**	**25,870**	**36,287**

The notes on pages 30 to 56 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	Notes	Group		Company	
		53 weeks ended 3 June 2012	52 weeks ended 29 May 2011	**53 weeks ended 3 June 2012**	52 weeks ended 29 May 2011
		£000	£000	**£000**	£000
Cash flows from operating activities					
Cash generated from operations	28	**28,034**	25,825	**19,453**	19,750
UK corporation tax paid		**(4,476)**	(2,160)	**-**	-
Overseas tax paid		**(532)**	(1,378)	**-**	-
Net cash from operating activities		**23,026**	22,287	**19,453**	19,750
Cash flows from investing activities					
Purchases of property, plant and equipment		**(4,822)**	(4,522)	**-**	-
Proceeds on disposal of property, plant and equipment	28	**33**	89	**-**	-
Purchases of other intangible assets		**(1,626)**	(694)	**-**	-
Expenditure on product development		**(2,977)**	(2,692)	**-**	-
Interest received		**142**	55	**9**	2
Net cash from investing activities		**(9,250)**	(7,764)	**9**	2
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**707**	215	**707**	215
Repayments of borrowings to related parties		**-**	-	**-**	(6,334)
Repayments of borrowings by related parties		**-**	-	**220**	1,257
Interest paid		-	(72)	-	(60)
Dividends paid to company shareholders		**(14,776)**	(14,028)	**(14,776)**	(14,028)
Net cash from financing activities		**(14,069)**	(13,885)	**(13,849)**	(18,950)
Net (decrease)/increase in cash and cash equivalents		**(293)**	638	**5,613**	802
Opening cash and cash equivalents		**17,572**	17,089	**254**	(437)
Effects of foreign exchange rates on cash and cash equivalents		**79**	(155)	**65**	(111)
Closing cash and cash equivalents	20	**17,358**	17,572	**5,932**	254

For the purpose of the cash flow statement, cash and cash equivalents include bank overdrafts (see note 20).

The notes on pages 30 to 56 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information
Games Workshop Group PLC (the 'Company') and its subsidiaries (together the 'Group') designs and manufactures miniature figures and games and distributes these through its own network of Hobby centres, independent retailers and direct via the internet and mail order. The Group has manufacturing activities in the UK and the US, and sells mainly in Western Europe, North America and Asia Pacific.

The Company is a public listed company, incorporated and domiciled in the United Kingdom. The address of its registered office is Willow Road, Lenton, Nottingham, NG7 2WS, United Kingdom.

The Company's ordinary share capital is listed on the London Stock Exchange.

2. Summary of significant accounting policies
The principal accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation
These financial statements are prepared under the going concern basis and in accordance with International Financial Reporting Standards (IFRSs), International Financial Reporting Interpretations Committee (IFRIC) interpretations and Standing Interpretations Committee (SIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRSs.

The consolidated financial statements are prepared in accordance with the historical cost convention, except for the measurement of certain financial instruments to their fair value.

Basis of consolidation
The consolidated financial statements include the Company and its subsidiary undertakings drawn up for the 53 weeks ended 3 June 2012 and for the 52 weeks ended 29 May 2011. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. The financial statements of all subsidiaries are prepared to the same reporting date as the parent company, with the exception of the financial statements of Games Workshop (Shanghai) Co. Limited and Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd, which are both prepared to 31 December. The management accounts of Games Workshop (Shanghai) Co. Limited and Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd, prepared to 3 June 2012 and 29 May 2011 have been used for consolidation purposes.

Goodwill
Goodwill arising on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Provision is made for any impairment by comparing the value in use to the net carrying value.

Goodwill arising on acquisitions prior to 31 May 1998 was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet.

Other intangible assets
Development costs
Costs incurred in respect of product design and development activities are recognised as intangible assets provided that a number of criteria are satisfied. These include the intention to use or sell the asset, technical feasibility, adequate resources being available to complete the development and probable future economic benefits being generated.

Product development costs recognised as intangible assets are amortised on a straight line basis over periods ranging between 1 and 48 months to match the expenditure incurred to the expected revenue generated from the subsequent product release.

Research expenditure is written off as incurred.

Computer software
Acquired computer software licences and related development expenditure are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Computer software licences are held at cost and amortised over the expected useful lives of the assets concerned. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

2. Summary of significant accounting policies continued

Other intangible assets continued

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The principal annual amortisation rates are:

	%
Core business systems computer software	15-33
Website computer software	20
Other computer software	33-50

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment. The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of property, plant and equipment, less any assigned residual value, on a straight line basis over the expected useful economic lives of the assets concerned and commences from the date the asset is available for use. The principal annual depreciation rates are:

	%
Freehold buildings	2-4
Plant and equipment	15-33
Motor vehicles	33
Fixtures and fittings	20-25
Moulding tools	25

Leasehold improvements are amortised over the period of the lease. Freehold land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Trade receivables

Trade receivables are recognised initially at fair value, which is typically the original invoice amount, and carried at amortised cost thereafter. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement immediately.

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

Leases

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group's commitment in respect of its Hobby centres is included within this category. Payments in respect of operating leases and any benefits received as an incentive to sign a lease, are charged or credited to the income statement on a straight line basis over the period of the entire lease term.

Finance leases

Finance leases which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in property, plant and equipment at the lower of the fair value of the leased property and the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's life and the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using a standard costing method. In respect of finished goods, cost includes raw materials, direct labour, other direct costs and related production overheads based on a normal level of production. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provisions are made for obsolete, slow moving and defective inventories.

Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Monetary assets and liabilities expressed in currencies that are not the functional currency are translated into the functional currency at rates of exchange ruling at the balance sheet date.

The financial statements of overseas subsidiary companies prepared in functional currencies other than sterling are translated into sterling as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at the average rate for the period;
- All resulting exchange differences are recognised as a separate component of equity.

2. Summary of significant accounting policies continued

Foreign currency translation continued
On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings and other currency instruments designated as hedges of such investments, are taken to equity. Tax charges and credits attributable to those differences are taken directly to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and bank and cash balances, net of overdrafts. In the balance sheet, bank overdrafts are included in current financial liabilities.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share-based payment
The Group operates an equity-settled employee sharesave scheme. Options are granted on an annual basis and are subject to either a two or three year service vesting condition. The fair value of the employee services received under the scheme, which is determined by use of the Black-Scholes Option Pricing Model, is recognised as an expense in the income statement with a corresponding increase in equity over the vesting period. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest, with any revisions being recognised in the income statement. When an employee ceases saving and withdraws from the sharesave scheme, the remaining future charges in relation to the associated options are immediately recognised in the income statement.

The fair value of the employee services received under the scheme is recognised as an expense in the income statement of the subsidiary that benefits from the services.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Other employee benefits
Pension costs
The Group operates defined contribution schemes and a group personal pension plan. Pension contributions are charged to the income statement as they accrue.

Bonus and incentive plans
The costs of annual bonus schemes are charged to the income statement as they accrue.

Long service benefits
The Group operates a long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10 years of employment (10 Year Veterans). The costs of these benefits are accrued over the period of employment based on expected staff retention rates and the anticipated future employment costs discounted to present value.

Investments
Shares and loans in subsidiary undertakings are stated at cost less provision for impairment.

Revenue
Revenue, which excludes value added tax and sales between group companies, represents the invoiced value of goods supplied (net of trade discounts for sales to independent retailers). Revenue is recognised when the significant risks and rewards of ownership of the goods have transferred to the customer. This is on dispatch of goods to the customer for sales via the global web store or mail order and for sales to independent retailers. For revenue earned through the Group's Hobby centres and for digital products this is at the point of sale. Revenue for magazine subscriptions is recognised on a straight line basis over the subscription period.

Revenue on goods sold to customers on a sale or return basis (which includes book sales) is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly. Revenue on a sale or return basis represents no more than 3% of consolidated revenue.

Royalty income
Royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance, after allowing for expected returns and price protection claims, as notified to the Group by the licensee and following validation of the amounts receivable by the Group. Cash received as guarantees and advances are deferred on balance sheet whilst it is considered probable that future royalty earnings will at least equal the amounts received. Such amounts are recognised in the income statement at the point at which they are earned as royalties. In the event that it is no longer considered probable that future royalty earnings will at least equal the guarantees and advances received, the guarantee and advance payments are taken to the income statement on a straight line basis over the remaining term of the licence agreement.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors.

2. Summary of significant accounting policies continued

Taxation
The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except where it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends
Dividend distributions are recognised in the financial statements in the period in which they are declared.

Impairment of assets
Assets that have an indefinite useful economic life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Provisions
Provisions are made when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are made for committed costs outstanding under onerous or vacant property leases and the estimated liability is discounted to its present value.

Provisions are made for property dilapidations where a legal obligation exists and when the decision has been made to exit a property, or where the end of the lease commitment is imminent and a reliable estimate of the exit liability can be made.

The estimated employee benefit liability arising from the 10 Year Veterans incentive scheme is classified within provisions. Amounts relating to employees who reach 10 years' service in more than one year are classified as non-current.

Provisions are made for redundancy costs once the employees affected have a valid expectation that their roles will become redundant.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting estimates and judgements
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the balance sheet date. If in future such estimates and assumptions, which are based on management's best judgement at the date of the consolidated financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change. The following areas are considered of greater complexity and/or particularly subject to the exercise of judgement:

- management estimates and judgements are required in assessing the impairment of assets, including fixtures and fittings within loss making Hobby centres, particularly in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

- judgement is involved in assessing the exposures in the provisions (including inventory, loss making Hobby centres, other property, bad debt and returns) and hence in setting the level of the required provisions.

- management estimates and judgements are required in assessing the recognition of deferred tax assets, particularly in relation to the timing and amount of future profits.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

New accounting standards

There are no new standards or amendments to standards which are mandatory for the first time for the financial period ended 3 June 2012 which have a significant impact on the Group.

New standards, amendments to standards and interpretations which have been published but are not yet effective are not expected to have a significant impact on the Group.

3. Segment information

The chief operating decision-maker has been identified as the executive directors. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As Games Workshop is a vertically integrated business, management assess the performance of sales businesses and manufacturing and distribution businesses separately. At 3 June 2012, the Group is organised as follows:

- Sales businesses. These businesses sell product to external customers, through the Group's network of Hobby centres, independent retailers and direct via the global web store. The sales businesses have been aggregated into segments where they sell products of a similar nature, have similar production processes, similar customers, similar distribution methods and are affected by similar economic factors. The segments are as follows:

  - UK. This sales business operates in the UK and Ireland.
  - Continental Europe. This combines the France, Germany, Italy, Spain and Northern Europe sales businesses.
  - North America. This combines the United States and Canada sales businesses.
  - Australia. This is the Australia sales business.
  - Export. This is the export sales business selling into emerging market territories.
  - Asia. This combines the Japan, China retail and Asia trade sales businesses.
  - Other. This includes the other operating segments reviewed by the chief operating decision-maker. These are the Forge World business, the Black Library business and Warhammer World.

- Product and Supply. This includes the design and manufacture of the products and incorporates production facilities in the UK, North America and until November 2010 in China.

- Logistics and stock management. This represents the warehousing and distribution activities needed to supply product to the sales businesses and includes facilities in the UK, North America, Australia and until November 2010 in China.

- Licensing costs. These are the costs of running the licensing department.

- Service centre costs. The service centre is established in the UK to provide support services (IT, accounting, payroll, personnel, supplier development, legal and property) to activities across the Group.

- Web costs. These are the costs associated with the running of the Games Workshop global web store.

- Central costs. These include the Company overheads, head office site costs and the costs of running the Games Workshop Academy.

- Profit in stock. This includes adjustments for profit in stock arising from inter-segment sales.

- Royalty income. This is royalty income earned from third party licensees.

3. Segment information continued

The chief operating decision-maker assesses the performance of each business based on operating profit, excluding share option charges recognised under IFRS 2, 'Share-based payment' and charges in respect of the Group's profit share scheme. This has been reconciled to the Group's total profit before tax below.

The segment information reported to the executive directors for the 53 weeks ended 3 June 2012 is as follows:

	External revenue		Internal revenue		Total	
	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000
Sales businesses						
UK	**31,648**	31,006	**-**	-	**31,648**	31,006
Continental Europe	**40,757**	40,157	**-**	-	**40,757**	40,157
North America	**33,621**	30,250	**-**	-	**33,621**	30,250
Australia	**11,328**	10,630	**-**	-	**11,328**	10,630
Export	**1,700**	1,641	**-**	-	**1,700**	1,641
Asia	**1,737**	1,167	**-**	-	**1,737**	1,167
All other sales businesses	**10,218**	8,201	**1,900**	1,861	**12,118**	10,062
Other segments						
Product and Supply	**-**	-	**62,465**	57,725	**62,465**	57,725
Total	**131,009**	123,052	**64,365**	59,586	**195,374**	182,638
Intra-group sales eliminations	**-**	-	**(64,365)**	(59,586)	**(64,365)**	(59,586)
Total revenue	**131,009**	123,052	**-**	-	**131,009**	123,052

Segment revenue and segment profit include transactions between business segments; these transactions are eliminated on consolidation. Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement.

Total segment operating profit is as follows and is reconciled to total profit before taxation below:

	53 weeks ended 3 June 2012 £000	Restated 52 weeks ended 29 May 2011 £000
Operating profit		
Sales businesses		
UK	**4,835**	4,772
Continental Europe	**4,000**	3,614
North America	**4,211**	3,120
Australia	**(735)**	(406)
Export	**89**	292
Asia	**(624)**	(786)
All other sales businesses	**4,732**	2,967
Other segments		
Product and Supply	**24,369**	21,597
Total segment core business operating profit	**40,877**	35,170
Logistics and stock management	**(9,835)**	(10,588)
Licensing costs	**(273)**	(293)
Service centre costs	**(5,669)**	(5,712)
Web costs	**(2,271)**	(1,824)
Central costs	**(5,176)**	(3,926)
Profit in stock	**(932)**	103
Share-based payment charge	**(254)**	(141)
Profit share scheme charge	**(864)**	-
Total group core business operating profit	**15,603**	12,789
Royalty income	**3,537**	2,455
Total group operating profit	**19,140**	15,244
Finance income	**434**	132
Finance costs	**(100)**	(89)
Profit before taxation	**19,474**	15,287

3. Segment information continued

Segment revenue of £5,010,000 and segment profit of £1,519,000 for the Northern Europe sales territories for the 52 weeks ended 29 May 2011 have been restated since the last annual report into Continental Europe rather than being in Emerging Markets and Japan. This reflects the management structure in place at 3 June 2012.

Segment revenue of £1,167,000 and segment loss of £786,000 for the Japan and Asia trade sales businesses for the 52 weeks ended 29 May 2011 have been restated since the last annual report into Asia rather than being in Emerging Markets and Japan. The newly established China retail business is also reported here. This reflects the management structure in place at 3 June 2012.

Segment revenue of £1,641,000 and segment profit of £292,000, being the remainder of the previously reported Emerging Markets and Japan segment, are now reported in the new Export segment.

Segment revenue of £167,000 and segment loss of £33,000 for the Other sales businesses segment for the 52 weeks ended 29 May 2011 have been restated since the last annual report into the UK rather than being shown in Other sales businesses. This reflects the current management structure in place.

Licensing income of £2,174,000 for the 52 weeks to 29 May 2011 has been restated since the last annual report into royalty income rather than being shown net of licensing costs. Licensing income of £281,000 for the 52 weeks to 29 May 2011 has been restated since the last annual report into royalty income rather than being within Other sales businesses. This reflects the way management view the business at 3 June 2012. An amount of £453,000 for the 52 weeks to 29 May 2011 has also been restated since the last annual report into Licensing costs rather than Product and Supply in order to correct a mis-classification in the previously reported segment information. As a result Product and Supply profit is £453,000 higher than previously reported and Licensing costs are £453,000 higher.

Costs of £116,000 for the 52 weeks to 29 May 2011 relating to the digital development team have been restated since the last annual report into Product and Supply rather than being shown in Licensing. This reflects the current management structure in place.

A profit of £103,000 for the 52 weeks to 29 May 2011 in respect of profit in stock arising on inter-segment sales has been restated since the last annual report into Profit in stock rather than being shown in Central costs. As a result Central costs for the 52 weeks to 29 May 2011 are £103,000 higher than previously reported.

Operating profit as reported above includes impairment, depreciation and amortisation charges as follows:

	Impairment		Depreciation and amortisation	
	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000
Sales businesses				
UK	**10**	1	**300**	484
Continental Europe	**(22)**	22	**625**	597
North America	**170**	28	**631**	747
Australia	**27**	13	**286**	277
Export	**-**	-	**23**	1
Asia	**6**	39	**20**	19
All other sales businesses	**-**	-	**1,077**	1,214
Other segments				
Product and Supply	**-**	21	**6,188**	5,460
Total segment charges	**191**	124	**9,150**	8,799
Logistics and stock management	**(280)**	540	**353**	637
Web costs	**-**	-	**584**	524
Total group (credit)/charge	**(89)**	664	**10,087**	9,960

The prior period impairment charges relate to equipment and fixtures and fittings within loss making Hobby centres (£103,000), impairment of the Group's European distribution hub in Nottingham (£540,000) and impairment of machinery (£21,000).

The current period impairment charges relate to equipment and fixtures and fittings within loss making Hobby centres (£80,000) and impairment of computer software (£111,000) (see notes 14 and 15). These charges are offset by the reversal of an amount of £280,000 in respect of the prior period impairment of the Group's European distribution hub (see note 15).

3. Segment information continued

Operating expenses by segment are regularly reviewed by the executive directors and are provided below:

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Operating expenses		
Sales businesses		
UK	**14,604**	14,485
Continental Europe	**21,060**	20,422
North America	**13,939**	13,891
Australia	**6,664**	6,081
Export	**639**	484
Asia	**1,469**	1,394
All other sales businesses	**3,075**	3,632
Other segments		
Product and Supply	**9,465**	8,917
Total segment operating expenses	**70,915**	69,306
Logistics and stock management	**(56)**	817
Licensing costs	**273**	327
Service centre costs	**5,669**	5,712
Web costs	**2,193**	1,809
Central costs	**5,176**	3,863
Share-based payment charge	**254**	141
Profit share scheme charge	**864**	-
Total group operating expenses	**85,288**	81,975

External revenue analysed by customer geographical location is as follows:

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
United Kingdom	**33,989**	32,650
Continental Europe	**43,998**	43,050
North America	**37,694**	33,526
Asia Pacific	**14,169**	12,703
Rest of the World	**1,159**	1,123
	131,009	123,052

The Group is not reliant on any one individual customer.

Non-current assets (excluding deferred tax assets) are located in the following countries:

	2012 £000	2011 £000
United Kingdom	**24,110**	23,761
All other countries	**4,596**	5,502
Total non-current assets (excluding deferred tax assets)	**28,706**	29,263

3. Segment information continued

Other non-cash charges and significant costs included in operating profit are as follows:

	Net charge/(credit) to inventory provisions		Impairment/(reversal of impairment) of receivables		Redundancy costs and compensation for loss of office		Net charge/(credit) to property provisions	
	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000	**53 weeks ended 3 June 2012 £000**	52 weeks ended 29 May 2011 £000
Sales businesses								
UK	**(10)**	92	**(11)**	4	**57**	90	**35**	(39)
Continental Europe	**-**	9	**144**	67	**618**	431	**3**	25
North America	**91**	2	**372**	39	**140**	41	**116**	525
Australia	**(5)**	20	**14**	16	**1**	13	**133**	(17)
Export	**-**	-	**10**	30	**142**	-	**-**	-
Asia	**7**	-	**1**	13	**253**	-	**(21)**	88
All other sales businesses	**67**	1	**(16)**	189	**101**	243	**-**	-
Other segments								
Product and Supply	**1,099**	336	**-**	(4)	**119**	248	**(83)**	-
Total segment expense	**1,249**	460	**514**	354	**1,431**	1,066	**183**	582
Logistics and stock management	**-**	-	**-**	-	**4**	11	**-**	-
Licensing costs	**-**	-	**-**	-	**-**	25	**-**	-
Service centre costs	**-**	-	**-**	-	**236**	178	**-**	-
Web costs	**-**	-	**-**	-	**-**	-	**-**	-
Central costs	**-**	-	**-**	-	**-**	-	**-**	-
Total group expense	**1,249**	460	**514**	354	**1,671**	1,280	**183**	582

Asset and liability information is not reported to the chief operating decision-maker on a segment basis and therefore has not been disclosed.

4. Operating expenses

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Selling costs	**51,919**	48,860
Administrative expenses	**28,667**	29,137
Design and development costs - amortisation	**3,179**	2,905
Design and development costs - not capitalised	**1,523**	1,073
	85,288	81,975

5. Directors and employees

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Total directors' and employees' costs:		
Wages and salaries	**45,166**	42,718
Social security costs	**5,483**	5,261
Other pension costs	**1,454**	1,462
Share-based payments	**254**	141
	52,357	49,582

Details of capitalised salary costs, included in the above, are provided in note 14. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 8.

Key management compensation
The remuneration of the directors and other key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Salaries and other short-term employee benefits	**1,237**	1,337
Post-employment benefits	**149**	131
Share-based payments	**6**	3
Other employee benefits	**29**	20
	1,421	1,491

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 19 to 21.
Key management are the directors of the Company, the head of sales and the head of product and supply.

5. Directors and employees continued

Employee numbers

Monthly average number of employees by activity:	**53 weeks ended 3 June 2012 Number**	52 weeks ended 29 May 2011 Number
Design and development	**114**	90
Production	**172**	163
Selling:		
- Full time	**1,010**	1,032
- Part time	**254**	233
Administration	**412**	383
	1,962	1,901

6. Finance income

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Interest income:		
- On cash and cash equivalents	**141**	53
- Net foreign exchange gains on financing activities	**292**	76
- Other interest income receivable	**1**	3
	434	132

7. Finance costs

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Interest expense:		
- Bank loans and overdrafts	**-**	47
- Unwinding of discount on provisions	**100**	30
- Other interest payable	**-**	12
	100	89

8. Profit before taxation

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	**5,785**	5,848
- Impairment of property, plant and equipment	**(200)**	664
Amortisation:		
- Owned computer software	**1,123**	1,207
- Development costs	**3,179**	2,905
- Impairment of computer software	**111**	-
Non-capitalised development costs	**1,523**	1,073
Staff costs (excluding capitalised salary costs as in note 14 and non-capitalised development costs above)	**48,894**	46,531
Impairment of trade receivables	**514**	354
Operating leases:		
- Hobby centres	**10,330**	10,282
- Other property	**1,009**	1,116
- Plant and equipment	**96**	168
- Other	**195**	292
Cost of inventories included in cost of sales	**20,391**	19,286
Net inventory provision creation (note 18)	**1,249**	460
(Profit)/loss on disposal of property, plant and equipment	**(8)**	57
Loss on disposal of intangible assets	**11**	61
Redundancy costs and compensation for loss of office	**1,671**	1,280
Net charge to property provisions including closed or loss making Hobby centres (note 24)	**183**	582

Auditors' remuneration and services provided

Services provided by the Group's auditors and network firms are analysed as follows:

	53 weeks ended 3 June 2012 £000	52 weeks ended 29 May 2011 £000
Audit services		
Audit of the Group and Company's accounts	**61**	61
Other services		
The audit of the Company's subsidiaries pursuant to legislation	**167**	252
Advisory services in respect of the closure of the Group's Shanghai manufacturing operations	**-**	88
All other services	**10**	29
Total services provided	**238**	430

NOTES TO THE FINANCIAL STATEMENTS continued

9. Income tax expense

	53 weeks ended 3 June 2012 £000	Restated 52 weeks ended 29 May 2011 £000
Current UK taxation:		
UK corporation tax on profits for the period	**4,803**	3,957
(Over)/under provision in respect of prior periods	**(44)**	134
	4,759	4,091
Current overseas taxation:		
Overseas corporation tax on profits for the period	**880**	1,064
(Over)/under provision in respect of prior periods	**(96)**	193
Total current taxation	**5,543**	5,348
Deferred taxation:		
Origination and reversal of timing differences	**(851)**	(1,095)
Under/(over) provision in respect of prior periods	**68**	(206)
Tax expense recognised in the income statement	**4,760**	4,047

Deferred tax charge/(credit) relating to sharesave scheme	**67**	(97)
Charge/(credit) taken directly to equity	**67**	(97)

The tax on the Group's profit before taxation differs from the standard rate of corporation tax in the UK as follows:

	53 weeks ended 3 June 2012 £000	Restated 52 weeks ended 29 May 2011 £000
Profit before taxation	**19,474**	15,287
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 25.67% (2011: 27.67%)	**4,999**	4,230
Effects of:		
Expenses not deductible for tax purposes	**455**	1,207
Movement in deferred tax not recognised	**198**	(122)
Deferred tax on losses now recognised	**(1,437)**	(1,814)
Higher tax rates on overseas earnings	**617**	425
Adjustments to tax charge in respect of prior periods	**(72)**	121
Total tax charge for the period	**4,760**	4,047

A number of changes to the UK corporation tax system were announced in the March 2012 Budget Statement. These include a reduction to the main rate to 24% from 1 April 2012, to 23% from 1 April 2013, and to 22% from 1 April 2014. The reductions to 23% and 22% had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes would not be material to the deferred tax asset recognised at 3 June 2012 as the full reduction in rate from 24% to 22% would decrease the deferred tax asset and profit after tax by £43,000.

10. Change of accounting policy

Since the last annual report the Group has changed its accounting policy for recognition of royalty income. Previously royalty income was recognised by spreading the guarantees and advances receivable over the term of the licence agreement until it was virtually certain that the level of income from the licence would exceed those guarantees and advances. At this point all guarantees and advances received under the licence were taken immediately to the income statement. All other income receivable was recognised in the income statement by reference to the underlying licensee performance, after allowing for expected returns and price protection claims. Under the new policy, royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance, after allowing for expected returns and price protection claims, as notified to the Group by the licensee and following validation of the amounts receivable by the Group. Cash received as guarantees and advances are deferred on balance sheet whilst it is considered probable that future royalty earnings will at least equal the amounts received. Such amounts are recognised in the income statement at the point at which they are earned as royalties. In the event that it is no longer considered probable that future royalty earnings will at least equal the guarantees and advances received, the guarantee and advance payments are taken to the income statement on a straight line basis over the remaining term of the licence agreement. Comparative amounts have been restated for the prior period as if the new accounting policy had always been applied and the consolidated balance sheet from the beginning of the comparative period (30 May 2010) has been presented in accordance with IAS1 (revised), 'Presentation of financial statements'. The Group believes that the new policy results in a fairer reflection of licensee performance in the Group income statement.

The change in accounting policy has resulted in a decrease in royalty income of £83,000 in the income statement for the 52 weeks to 29 May 2011, deferred income is £1,500,000 lower on the balance sheet at 29 May 2011, deferred tax is £390,000 lower on the balance sheet at 29 May 2011 and retained earnings are £1,110,000 higher at 29 May 2011. Basic and diluted earnings per share are both 0.1p lower than previously reported for the 52 weeks to 29 May 2011.

The change in policy has resulted in an increase in royalty income of £935,000 in the income statement for the 52 weeks to 30 May 2010, deferred income is £1,583,000 lower on the balance sheet at 30 May 2010, deferred tax is £443,000 lower on the balance sheet at 30 May 2010 and retained earnings are £1,140,000 higher at 30 May 2010. Basic and diluted earnings per share are both 2.2p higher than previously reported for the 52 weeks to 30 May 2010.

The impact of the change in policy for the current financial period is an increase in royalty income of £1,827,000 in the consolidated income statement.

11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	53 weeks ended 3 June 2012	Restated 52 weeks ended 29 May 2011
Profit attributable to equity shareholders (£000)	**14,714**	11,240
Weighted average number of ordinary shares in issue (thousands)	**31,423**	31,182
Basic earnings per share (pence per share)	**46.8**	36.0

Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit attributable to equity shareholders and the weighted average number of shares in issue throughout the period, adjusted for the dilutive effect of share options outstanding at the period end.

	53 weeks ended 3 June 2012	Restated 52 weeks ended 29 May 2011
Profit attributable to equity shareholders (£000)	**14,714**	11,240
Weighted average number of ordinary shares in issue (thousands)	**31,423**	31,182
Adjustment for share options (thousands)	**184**	281
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**31,607**	31,463
Diluted earnings per share (pence per share)	**46.6**	35.7

12. Dividends per share

A dividend of 18 pence per share, amounting to a total dividend of £5,620,000, and a dividend of 29 pence per share, amounting to a total dividend of £9,156,000, were declared and paid during the period.

A further dividend of 16 pence per share, amounting to a total dividend of £5,054,000, was declared during the period and was paid after the period end. The dividend payable is included within trade and other payables at 3 June 2012.

A dividend of 25 pence per share, amounting to a total dividend of £7,784,000, and a dividend of 20 pence per share, amounting to a total dividend of £6,244,000, were paid during the 52 weeks ended 29 May 2011.

13. Goodwill

Group	£000
Net book amount	
At 30 May 2010, 29 May 2011 and 3 June 2012	**1,433**

The Company had no goodwill at either period end.

Goodwill of £1,159,000 (2011: £1,159,000) arising before 31 May 1998 is fully written off to reserves.

Impairment tests for goodwill
The goodwill arose on the acquisition of TJA Tooling Limited and Triple K Plastic Injection Moulding Limited.

In accordance with the requirements of IAS 36 'Impairment of Assets' the Group completed a review of the carrying value of goodwill as at each period end. The impairment review was performed to ensure that the carrying value of the Group's assets are stated at no more than their recoverable amount, being the higher of fair value less costs to sell and value in use.

In determining the value in use, the calculations use cash flow projections based on the financial plans approved by management covering a three year period, with growth no higher than past experience and after consideration of all available information. The estimated future cash flows expected to arise from the continuing use of the assets are calculated using a pre-tax discount rate of 10.5% (2011: 10.1%).

Management determined the planned sales growth and gross margin on the investment in future product releases, and initiatives currently being undertaken to deliver the expected future performance.

Goodwill is allocated to the Group's cash-generating units (CGUs) for impairment testing. All of the current goodwill arises in the Product and Supply segment.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Other intangible assets

Group	Computer software £000	Development costs £000	Total £000
Cost			
At 31 May 2010	9,192	15,547	24,739
Additions	688	2,692	3,380
Exchange differences	(100)	-	(100)
Disposals	(353)	-	(353)
Reclassifications	(106)	-	(106)
At 29 May 2011 and 30 May 2011	9,321	18,239	27,560
Additions	1,626	2,977	4,603
Exchange differences	42	-	42
Disposals	(84)	(11)	(95)
At 3 June 2012	**10,905**	**21,205**	**32,110**
Amortisation			
At 31 May 2010	(6,041)	(12,809)	(18,850)
Amortisation charge	(1,207)	(2,905)	(4,112)
Exchange differences	80	-	80
Disposals	292	-	292
Reclassifications	(2)	-	(2)
At 29 May 2011 and 30 May 2011	(6,878)	(15,714)	(22,592)
Amortisation charge	(1,123)	(3,179)	(4,302)
Exchange differences	(12)	-	(12)
Impairment	(111)	-	(111)
Disposals	83	1	84
At 3 June 2012	**(8,041)**	**(18,892)**	**(26,933)**
Net book amount			
At 29 May 2011	2,443	2,525	4,968
At 3 June 2012	**2,864**	**2,313**	**5,177**

Amortisation of £34,000 (2011: £242,000) has been charged in cost of sales and £4,268,000 (2011: £3,870,000) in operating expenses.

The net book amount of internally generated intangible assets is £2,591,000 (2011: £2,898,000) and acquired intangible assets is £2,586,000 (2011: £2,070,000). All development costs are internally generated and £1,868,000 (2011: £1,853,000) is capitalised salary costs.

Salary costs of £88,000 (2011: £125,000) were capitalised during the period as part of computer software.

An impairment loss of £111,000 has been recognised in relation to computer software that will not be used in the future. This has been charged in administrative expenses.

The Company had no other intangible assets at either period end.

15. Property, plant and equipment

Group	Freehold land and buildings £000	Plant and equipment and vehicles £000	Fixtures and fittings £000	Moulding tools £000	Total £000
Cost					
At 31 May 2010	14,417	18,345	23,157	22,097	78,016
Additions	-	1,829	950	1,752	4,531
Exchange differences	-	(337)	(428)	(148)	(913)
Disposals	-	(1,608)	(2,184)	(261)	(4,053)
Reclassifications	-	108	(2)	-	106
At 29 May 2011 and 30 May 2011	14,417	18,337	21,493	23,440	77,687
Additions	346	1,898	1,134	1,750	5,128
Exchange differences	-	33	(173)	48	(92)
Disposals	-	(840)	(847)	(29)	(1,716)
At 3 June 2012	**14,763**	**19,428**	**21,607**	**25,209**	**81,007**
Depreciation					
At 31 May 2010	(3,465)	(15,098)	(19,139)	(17,050)	(54,752)
Exchange differences	-	277	323	115	715
Charge for the period	(353)	(1,527)	(1,809)	(2,159)	(5,848)
Impairment	(540)	(26)	(98)	-	(664)
Disposals	-	1,544	2,122	241	3,907
Reclassifications	-	1	1	-	2
At 29 May 2011 and 30 May 2011	(4,358)	(14,829)	(18,600)	(18,853)	(56,640)
Exchange differences	-	(31)	173	(48)	94
Charge for the period	(365)	(1,590)	(1,548)	(2,282)	(5,785)
Impairment	280	(4)	(76)	-	200
Disposals	-	833	838	20	1,691
At 3 June 2012	**(4,443)**	**(15,621)**	**(19,213)**	**(21,163)**	**(60,440)**
Net book amount					
At 29 May 2011	10,059	3,508	2,893	4,587	21,047
At 3 June 2012	**10,320**	**3,807**	**2,394**	**4,046**	**20,567**

Depreciation expense of £3,379,000 (2011: £3,279,000) has been charged in cost of sales, £1,646,000 (2011: £1,938,000) in selling costs, £699,000 (2011: £600,000) in administrative expenses and £61,000 (2011: £31,000) in design and development costs.

Freehold land amounting to £3,836,000 (2011: £3,836,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £556,000 (2011: £586,000). These are included in moulding tools above.

An impairment loss of £80,000 (2011: £103,000) relates to equipment and fixtures and fittings within loss making Hobby centres which have been written down to estimated value in use. This has been charged in selling costs in both periods.

In the prior period, an impairment loss of £540,000 was recognised in relation to repair work required to the Group's European distribution hub in Nottingham. During the current period an amount of £280,000 was reversed in respect of this due to the completion of the work at a lower cost than anticipated. Both the initial impairment loss and the subsequent reversal have been charged in selling costs.

The remaining impairment loss in the prior period of £21,000 related to impairment of machinery and was charged in cost of sales.

The Company held no property, plant and equipment at either period end.

NOTES TO THE FINANCIAL STATEMENTS continued

16. Investments in subsidiaries

Company	2012 £000	2011 £000
Shares in group undertakings – cost		
Beginning of period and end of period	**30,584**	30,584

Investments in group undertakings are stated at cost less any provision for impairment.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below.

Interests in group undertakings
The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the Group:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by: Company	Subsidiary company	Principal business activity
Games Workshop Limited	England and Wales	£1 ordinary	100%		Manufacturer, distributor and retailer of games and miniatures
Games Workshop Retail Inc.	United States of America	$1 common stock		100%	Manufacturer, distributor and retailer of games and miniatures
Games Workshop (Queen Street) Limited	Canada	Can $1		100%	Distributor and retailer of games and miniatures
EURL Games Workshop	France	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop SL	Spain	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop Oz Pty Limited	Australia	Aus $1		100%	Distributor and retailer of games and miniatures
Games Workshop Deutschland GmbH	Germany	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop Limited	New Zealand	NZ $1		100%	Distributor and retailer of games and miniatures
Games Workshop Italia SRL	Italy	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop (Shanghai) Co. Limited	China	Owners capital		100%	Manufacturing, sourcing and distribution of gaming materials
Games Workshop International Limited	England and Wales	£1 ordinary	100%		Holding company for overseas subsidiary companies
Games Workshop US Limited	England and Wales	£1 ordinary		100%	Holding company for US subsidiary companies
Games Workshop US (Holdings) Limited	England and Wales	£1 ordinary		100%	Intermediary holding company for US subsidiary companies
Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd	China	Owners capital		100%	Retailer of games and miniatures

All of the above entities are included in the consolidated accounts for the Group and 100% of the voting rights of all entities is held.

All of the above companies operate principally in their country of incorporation or registration.

The directors consider the value of the investments is supported by the underlying assets of the relevant subsidiary.

During the current financial period Games Workshop America Inc. was merged into Games Workshop Retail Inc. and its share capital subsequently cancelled. Following this, the trade and assets of Games Workshop US Manufacturing LLC were transferred into Games Workshop Retail Inc. and the partnership dissolved.

17. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts are as follows:

	Group		Company	
		Restated		
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Deferred tax assets:				
- deferred tax asset to be recovered after more than 12 months	**2,984**	2,532	**2**	5
- deferred tax asset to be recovered within 12 months	**4,351**	3,943	**4**	16
	7,335	6,475	**6**	21

The gross movement on the deferred tax account is as follows:	Group		Company	
		Restated		
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Beginning of period	**6,475**	5,474	**21**	24
Exchange differences	**144**	(397)	**-**	-
Income statement credit/(charge)	**783**	1,301	**(15)**	(3)
(Charged)/credited directly to retained earnings	**(67)**	97	**-**	-
End of period	**7,335**	6,475	**6**	21

Analysis of the movement in deferred tax assets and liabilities is as follows:

Group	Accelerated depreciation £000	Development costs £000	Losses available for offset £000	Other £000	Total £000
At 31 May 2010 as restated	1,421	(767)	4,405	415	5,474
Credited to the income statement	663	111	76	451	1,301
Credited to equity	-	-	-	97	97
Exchange differences	25	-	(451)	29	(397)
At 29 May 2011 and 30 May 2011 as restated	2,109	(656)	4,030	992	6,475
Credited/(charged) to the income statement	101	101	(579)	1,160	783
Charged to equity	-	-	-	(67)	(67)
Exchange differences	(31)	-	171	4	144
At 3 June 2012	**2,179**	**(555)**	**3,622**	**2,089**	**7,335**

Other deferred tax assets include deferred tax on adjustments for profit in stock arising from intra-group sales of £800,000 (2011: £400,000).

Deferred income tax assets are recognised in respect of tax losses and temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. This is based on a review of the track record of profitability in the country concerned. In the prior year, the Group had unrecognised deferred income tax assets of £1,000,000 in respect of losses amounting to £200,000 and other temporary differences of £3,000,000 due to the uncertainty at the balance sheet date as to their recovery. There is no unrecognised deferred tax at 3 June 2012.

The Group did not obtain a current tax benefit from previously unrecognised tax losses in either of the periods presented.

Company	Accelerated depreciation £000	Other £000	Total £000
At 31 May 2010	3	21	24
Credited/(charged) to the income statement	2	(5)	(3)
At 29 May 2011 and 30 May 2011	5	16	21
Charged to the income statement	(3)	(12)	(15)
At 3 June 2012	**2**	**4**	**6**

NOTES TO THE FINANCIAL STATEMENTS continued

18. Inventories

Group	**2012** **£000**	2011 £000
Raw materials	**901**	1,079
Work in progress	**1,160**	774
Finished goods and goods for resale	**7,416**	6,578
	9,477	8,431

The Group holds no inventories at fair value less costs to sell.

There is no material difference between the balance sheet value of inventories and their replacement cost.

During the period, the Group utilised an inventory provision of £819,000 (2011: £731,000). Additional provision of £1,249,000 (2011: £493,000) has been charged to the income statement during the period. In the prior period, the charge to the income statement included £397,000 in relation to metal stock lines which are no longer sold through our Hobby centres.

During the prior period, there was an inventory provision release of £33,000 to the income statement.

The Company holds no inventories at either period end.

19. Trade and other receivables

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade receivables	**7,462**	7,165	**-**	-
Less provision for impairment of receivables	**(684)**	(762)	**-**	-
Trade receivables - net	**6,778**	6,403	**-**	-
Prepayments and accrued income	**4,034**	2,997	**17**	48
Other receivables	**1,785**	2,205	**-**	17
Receivables from related parties	**-**	-	**1,190**	1,236
Loans to related parties	**-**	-	**3,900**	4,120
Total trade and other receivables	**12,597**	11,605	**5,107**	5,421
Non-current receivables:				
Trade receivables	**-**	17	**-**	-
Less provision for impairment of receivables	**-**	(17)	**-**	-
Trade receivables - net	**-**	-	**-**	-
Prepayments and accrued income	**183**	276	**-**	-
Other receivables	**1,346**	1,539	**-**	-
Loans to related parties	**-**	-	**3,900**	3,900
Non-current portion	**1,529**	1,815	**3,900**	3,900
Current portion	**11,068**	9,790	**1,207**	1,521

Trade receivables are recorded at amortised cost, reduced by estimated allowances for doubtful debts. The fair value of trade and other receivables does not differ materially from the book value.

The effective interest rate on non-current loans to related parties is charged at LIBOR plus 1% in both periods.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers which are internationally dispersed.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of asset above. The Group does not hold any collateral over these balances.

All non-current receivables are due within five years of the balance sheet date.

Trade receivables that are more than three months past due are considered to be impaired unless a payment plan has been agreed with the customer and is being adhered to. Trade receivables that are less than three months past due are not considered impaired unless amounts are specifically identified as irrecoverable. The ageing analysis of the Group's past due trade receivables is as follows:

		2012			2011	
	Not impaired	**Impaired**	**Total**	Not impaired	Impaired	Total
	£000	**£000**	**£000**	£000	£000	£000
Up to 3 months past due	**569**	**108**	**677**	975	110	1,085
3 to 12 months past due	**109**	**279**	**388**	61	196	257
Over 12 months past due	**3**	**194**	**197**	7	271	278
	681	**581**	**1,262**	1,043	577	1,620

In addition to the above, current debt of £103,000 (2011: £185,000) has been impaired.

19. Trade and other receivables continued

Provision for impairment of receivables
Movements on the provision for impairment of trade receivables are as follows:

Group	£000
At 31 May 2010	972
Charge for the period	382
Unused amounts reversed	(28)
Receivables written off during the period as uncollectible	(550)
Exchange differences	(14)
At 29 May 2011 and 30 May 2011	762
Charge for the period	728
Unused amounts reversed	(214)
Receivables written off during the period as uncollectible	(592)
At 3 June 2012	**684**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2012	2011
	£000	£000
Sterling	**4,721**	3,502
Euro	**3,718**	3,636
US dollar	**2,242**	2,424
Other currencies	**1,916**	2,043
Total trade and other receivables	**12,597**	11,605

20. Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Cash at bank and in hand	**13,945**	15,706	**5,932**	254
Short-term bank deposits	**3,413**	1,866	**-**	-
Cash and cash equivalents	**17,358**	17,572	**5,932**	254

The Group's cash and cash equivalents are repayable on demand and include a right of set-off between sterling and other currencies held in the UK.
Cash and cash equivalents and short-term deposits are floating rate assets which earn interest at various rates with reference to the prevailing interest rates.
Short-term deposits have an average maturity of 85 days.

Cash and cash equivalents include the following for the purposes of the cash flow statements (see analysis of net funds, note 29):

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Cash and cash equivalents	**17,358**	17,572	**5,932**	254

The Group reviewed its working capital requirements during the previous financial period and the uncommitted working capital facility was assessed as no longer required. Hence the facility had not been renewed at the annual review and no borrowing facilities were in place at 3 June 2012.

21. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Group's financial risk management objective is to understand the nature and impact of the financial risks and exposures facing the business.

Foreign currency risk
The majority of the Group's business is transacted in sterling, euros and US dollars. The principal currency of the Group is sterling.
The Group is exposed to foreign exchange risk principally via:

- transactional exposure arising from the future sales and purchases that are denominated in a currency other than the functional currency of the transacting company.
- translation exposure arising on investments in foreign operations, where the net assets are denominated in a currency other than sterling.
- loans to non-UK subsidiaries.

The Group does not use foreign currency borrowings or forward foreign currency contracts to hedge foreign currency risk. The level of the Group's exposure to foreign currency risk is regularly reviewed by the Group's chief operating officer and the Group's treasury policies, including hedging policies, are reviewed to ensure they remain appropriate.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial risk factors continued

Foreign exchange sensitivity
The impact on the Group's financial assets and liabilities from foreign currency volatility is shown in the sensitivity analysis below.

The sensitivity analysis has been prepared based on all material financial assets and liabilities held at the balance sheet date and does not reflect all the changes in revenue or expenses that may result from changing exchange rates. The analysis is prepared for the euro and US dollar given that these represent the major foreign currencies in which financial assets and liabilities are denominated. The sensitivities shown act as a reasonable benchmark considering the movements in currencies over the last two financial periods.

The following assumptions were made in calculating the sensitivity analysis:
- financial assets and liabilities (including financial instruments) are only considered sensitive to movements in foreign currency exchange rates where they are not in the functional currency of the entity that holds them.
- translation of results of overseas subsidiaries is excluded.

Using the above assumptions, the following table shows the sensitivity of the Group's income statement to movements in foreign exchange rates on US dollar and euro financial assets and liabilities:

Group	**2012 Income gain/(loss) £000**	2011 Income gain/(loss) £000
10% appreciation of the US dollar (2011: 10%)	**546**	910
10% appreciation of the euro (2011: 10%)	**(306)**	(5)

A depreciation of the stated currencies would have an equal and opposite effect.

There is no impact on equity gains or losses.

Interest rate risk
The Group no longer has a significant exposure to interest rate risk following repayment of its borrowings and hence no interest rate sensitivity has been shown.

Credit risk
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to independent retailers. The Group controls credit risk from a treasury perspective by only entering into transactions involving financial instruments with authorised counter-parties with a credit rating of at least 'A', and by ensuring that such positions are monitored regularly. Credit risk on cash and short-term deposits is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed. Policies are also in place to ensure the wholesale sales of products are made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate provision made for bad and doubtful debts (note 19). Provision requirements are determined with reference to ageing of invoices, credit history and other available information.

Sales made through our own Hobby centres or via direct are made in cash or with major credit cards.

Capital risk
The capital structure of the Group consists of net funds (see note 29) and shareholders' equity (see note 27). The Group manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. The Group's objective is not to use long-term debt to finance the business. Overdraft facilities will be used to finance the working capital cycle if required.

The Group manages its capital structure and makes adjustments to it in light of changes to economic conditions and its strategic objectives. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, buy back shares and cancel them or issue new shares.

21. Financial risk factors continued

Liquidity risk

Liquidity is managed by maintaining sufficient cash balances to meet working capital needs.

Cash flow requirements are monitored by short and long-term rolling forecasts both within the local operating units and for the overall Group. In addition, the Group's liquidity management policy involves projecting cash flows in the major currencies and considers the level of liquid assets necessary to meet these, monitoring working capital levels and liquidity ratios.

The undiscounted contractual maturity dates of the Group's financial liabilities, including interest charges where applicable, are shown below. All trade payables are contractually due within 12 months and therefore the fair values do not differ from their carrying values.

	2012				2011			
Group	**Within 1 year £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	**More than 5 years £000**	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000
Trade and other payables	**16,107**	**-**	**-**	**-**	10,093	-	-	-
Provisions for redundancies and property	**860**	**469**	**219**	**-**	1,011	578	607	29
	16,967	**469**	**219**	**-**	11,104	578	607	29

	2012			2011		
Company	**Within 1 year £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Trade and other payables	**5,285**	**-**	**-**	316	-	-
Payables due to related parties	**-**	**-**	**-**	1	-	-
	5,285	**-**	**-**	317	-	-

Financial instruments by category

	Group Loans and receivables		Company Loans and receivables	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Financial assets as per balance sheet				
Trade receivables	**6,778**	6,403	**-**	-
Accrued income	**10**	167	**-**	-
Other receivables	**179**	2,199	**-**	17
Receivables from related parties	**-**	-	**1,190**	1,236
Loans to related parties	**-**	-	**3,900**	4,120
Cash and cash equivalents	**17,358**	17,572	**5,932**	254
Total	**24,325**	26,341	**11,022**	5,627

Prepayments have been excluded from the above as they are not financial assets.

	Group Financial liabilities at amortised cost		Company Financial liabilities at amortised cost	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Financial liabilities as per balance sheet				
Trade payables	**4,628**	3,028	**31**	78
Payables due to related parties	**-**	-	**-**	1
Other payables	**4,081**	2,576	**20**	12
Accruals	**2,344**	4,489	**180**	226
Dividends payable to Company shareholders	**5,054**	-	**5,054**	-
Total	**16,107**	10,093	**5,285**	317

Deferred income balances and other taxes and social security payables have been excluded from the above as they are not financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Trade and other payables

	Group		Company	
		Restated		
	2012	2011	**2012**	2011
Current	**£000**	£000	**£000**	£000
Trade payables	**4,628**	3,028	**31**	78
Payables due to related parties	**-**	-	**-**	1
Other taxes and social security	**1,640**	1,815	**47**	36
Other payables	**4,081**	2,576	**20**	12
Accruals	**3,199**	4,130	**180**	226
Deferred income	**1,001**	834	**-**	-
Dividends payable to Company shareholders	**5,054**	-	**5,054**	-
	19,603	12,383	**5,332**	353

The fair value of trade and other payables does not materially differ from the book value.

23. Other non-current liabilities

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Accruals	**300**	430	**-**	-
Deferred income	**1**	4	**-**	-
	301	434	**-**	-

The fair value of other non-current liabilities does not materially differ from the book value.

The carrying amounts of the Group's trade and other payables and other non-current liabilities are denominated in the following currencies:

		Restated
	2012	2011
	£000	£000
Sterling	**12,394**	5,815
Euro	**3,488**	3,367
US dollar	**2,509**	1,974
Other currencies	**1,513**	1,661
Total trade and other payables and other non-current liabilities	**19,904**	12,817

24. Provisions

Analysis of total provisions:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Current	**1,172**	1,384	**2**	-
Non-current	**1,189**	1,677	**8**	6
	2,361	3,061	**10**	6

Group	Redundancy £000	Employee benefits £000	Property £000	Total £000
At 30 May 2011	60	960	2,041	3,061
Charged/(credited) to the income statement:				
- Additional provisions	-	67	454	521
- Unused amounts reversed	(57)	(79)	(271)	(407)
Exchange differences	(1)	(21)	75	53
Discount unwinding (note 7)	-	-	100	100
Utilised	(2)	(95)	(870)	(967)
At 3 June 2012	**-**	**832**	**1,529**	**2,361**

Company	Employee benefits £000	Total £000
At 30 May 2011	6	6
Charged to the income statement:		
- Additional provisions	4	4
At 3 June 2012	**10**	**10**

The fair value of provisions does not differ from the book value.

Employee benefits

The Group operates a long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10 years of employment (10 Year Veterans). The costs of these benefits are accrued over the period of employment based on expected staff retention rates and the anticipated employment costs and are utilised once an employee reaches 10 years of employment.

Property provisions

Property provisions relate to property dilapidations and to committed costs outstanding under onerous or vacant lease commitments and will diminish over the lives of the underlying leases. The above provision is expected to be utilised by 2016. The estimated liability is discounted to its present value using a discount rate of 2.0% (2011: 4.6%).

NOTES TO THE FINANCIAL STATEMENTS continued

25. Share capital

Group and Company	Number of shares (thousands)	Ordinary shares £000	Share premium account £000	Total £000
At 30 May 2011	31,222	1,561	8,048	9,609
Shares issued under employee sharesave scheme	367	18	689	707
At 3 June 2012	**31,589**	**1,579**	**8,737**	**10,316**

During the period 367,131 ordinary shares were issued (2011: 86,589). The total authorised number of shares is 42,000,000 shares (2011: 42,000,000 shares) with a par value of 5p per share (2011: 5p per share). All issued shares are fully paid.

Share options

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Date granted	Number of shares **2012**	Number of shares 2011	Exercise price in pence per share	Exercise dates
29 September 2008	**-**	361,365	191.2p	Nov 2011 to Apr 2012
29 September 2008	**-**	2,646	199.8p	Nov 2011 to Apr 2012
28 September 2009	**138,499**	148,020	220.7p	Nov 2012 to Apr 2013
1 October 2009	**-**	5,245	248.6p	Nov 2011
27 September 2010	**127,830**	146,929	340.7p	Nov 2013 to Apr 2014
27 September 2010	**1,729**	2,594	346.4p	Nov 2013 to Apr 2014
1 October 2010	**4,864**	7,507	367.6p	Nov 2012
28 September 2011	**279,127**	-	358.0p	Nov 2014 to Apr 2015
1 October 2011	**3,959**	-	359.8p	Nov 2013
	556,008	674,306		

Movements in the number of share options outstanding are as follows:

	2012 Approved and unapproved share schemes	2011 Approved and unapproved share schemes
At start of period	**674,306**	674,094
Granted	**298,465**	165,880
Forfeited	**(49,632)**	(79,079)
Exercised	**(367,131)**	(86,589)
At end of period	**556,008**	674,306

The weighted average share price at the time of exercise of options during the current period was 478.6p each (2011: 400.3p each).

Movements in the weighted average exercise price of the approved and unapproved share schemes are as follows:

	2012	2011
At start of period	**233p**	207p
Granted	**358p**	342p
Forfeited	**312p**	222p
Exercised	**193p**	248p
At end of period	**320p**	233p

Out of the 556,008 outstanding options (2011: 674,306 options), no options (2011: no options) were exercisable at 3 June 2012.

25. Share capital continued

IFRS 2, 'Share-based payment', requires the fair value of all share options granted after 7 November 2002 to be charged to the income statement. For options granted after 7 November 2002, the fair value of the option must be assessed on the date of each grant.

The fair value of share options granted is determined using the Black-Scholes valuation model. The significant inputs into the model were as follows:

Group and Company	Share price (pence)	Option exercise price (pence)	Vesting period	Option life	Expected volatility	Risk free rate of return (%)	Dividend yield (%)	Fair value per option (pence)
Employee sharesave schemes:								
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2008 granted options non-US and French employees	228p	191.2p	36 mths	42 mths	42%	4.0%	-	91.2p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2008 granted options US employees	228p	199.7p	24 mths	24 mths	45%	4.0%	-	76.7p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2008 granted options French employees	228p	199.8p	36 mths	42 mths	42%	4.0%	-	87.4p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2009 granted options non-US employees	297p	220.7p	36 mths	42 mths	48%	4.6%	-	138.9p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2009 granted options US employees	297p	248.6p	24 mths	24 mths	51%	4.6%	-	110.7p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2010 granted options non-US and French employees	450p	340.7p	36 mths	42 mths	47%	4.2%	5.6%	153.3p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2010 granted options US employees	434p	367.6p	24 mths	24 mths	45%	4.2%	5.6%	117.7p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2010 granted options French employees	450p	346.4p	36 mths	42 mths	47%	4.2%	5.6%	151.1p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2011 granted options non-US employees	448p	358.0p	36 mths	42 mths	42%	2.8%	10.3%	92.6p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2011 granted options US employees	423p	359.8p	24 mths	24 mths	31%	2.3%	10.3%	59.4p

The expected volatility was determined by reference to the volatility in the share price using rolling one year periods for the three years immediately preceding the grant date. The risk free rate of return is based upon UK gilt rates with an equivalent term to the options granted. Dividend yield is based on historic performance.

26. Other reserves

	2012				2011			
Group	**Capital redemption reserve £000**	**Translation reserve £000**	**Other reserve £000**	**Total £000**	Capital redemption reserve £000	Translation reserve £000	Other reserve £000	Total £000
Beginning of period	**101**	**3,690**	**(1,050)**	**2,741**	101	4,671	(1,050)	3,722
Exchange differences on translation of foreign operations	**-**	**(298)**	**-**	**(298)**	-	(981)	-	(981)
End of period	**101**	**3,392**	**(1,050)**	**2,443**	101	3,690	(1,050)	2,741

The other reserve was created on flotation following a payment to the previous holders of the Company's ordinary shares.

As at 3 June 2012, the Company's capital redemption reserve was £101,000 (2011: £101,000). The Company had no other reserves in addition to the capital redemption reserve at either period end.

NOTES TO THE FINANCIAL STATEMENTS continued

27. Retained earnings

Group	£000
At 31 May 2010 as previously reported	42,187
Change in accounting policy (note 10)	1,140
At 31 May 2010 as restated	43,327
Profit attributable to equity shareholders	11,240
Deferred tax	97
Share-based payments	141
Dividends to company shareholders	(14,028)
At 29 May 2011 and 30 May 2011	40,777
Profit attributable to equity shareholders	14,714
Deferred tax	(67)
Share-based payments	254
Dividends to company shareholders	(19,830)
At 3 June 2012	**35,848**

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £1,159,000 (2011: £1,159,000).

28. Reconciliation of profit/(loss) to net cash from operating activities

	Group		Company	
		Restated		
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Operating profit/(loss)	**19,140**	15,244	**(2,455)**	(2,274)
Depreciation of property, plant and equipment	**5,785**	5,848	**-**	-
Net impairment (reversal)/charge on property, plant and equipment	**(200)**	664	**-**	-
Net impairment charge on intangible assets	**111**	-	**-**	-
(Profit)/loss on disposal of property, plant and equipment (see below)	**(8)**	57	**-**	-
Loss on disposal of intangible assets (see below)	**11**	61	**-**	-
Amortisation of capitalised development costs	**3,179**	2,905	**-**	-
Amortisation of other intangibles	**1,123**	1,207	**-**	-
Share-based payments	**254**	141	**-**	-
Dividend income from investments in subsidiary undertakings	**-**	-	**21,050**	19,600
Changes in working capital:				
- (Increase)/decrease in inventories	**(861)**	1,432	**-**	-
- (Increase)/decrease in trade and other receivables	**(1,091)**	(49)	**928**	2,505
- Increase/(decrease) in trade and other payables	**1,392**	(1,499)	**(74)**	(70)
- (Decrease)/increase in provisions	**(801)**	(186)	**4**	(11)
Net cash from operating activities	**28,034**	25,825	**19,453**	19,750

In the cash flow statement, proceeds from the sale of property, plant and equipment comprise:

	2012	2011
	£000	£000
Net book amount	**25**	146
Profit/(loss) on sale of property, plant and equipment	**8**	(57)
Proceeds from sale of property, plant and equipment	**33**	89

The Company sold no property, plant and equipment during either period.

The Group disposed of intangible assets with a net book amount of £11,000 during the period (2011: £61,000). There were no proceeds on disposal in either period and hence a loss on disposal equivalent to the net book amount was recorded.

The Company sold no other intangibles during either period.

29. Analysis of net funds

Group	As at 29 May 2011 £000	Cash flow £000	Exchange movement £000	**As at 3 June 2012 £000**
Cash at bank and in hand	17,572	(293)	79	**17,358**
Net funds	17,572	(293)	79	**17,358**

Company	As at 29 May 2011 £000	Cash flow £000	Exchange movement £000	**As at 3 June 2012 £000**
Cash at bank and in hand	254	5,613	65	**5,932**
Net funds	254	5,613	65	**5,932**

30. Reconciliation of net cash flow to movement in net funds/(debt)

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
(Decrease)/increase in cash and cash equivalents in the period resulting from cash flows	**(293)**	638	**5,613**	802
Change in net funds resulting from cash flows	**(293)**	638	**5,613**	802
Exchange movement	**79**	(155)	**65**	(111)
Net funds/(debt) at start of period	**17,572**	17,089	**254**	(437)
Net funds at end of period	**17,358**	17,572	**5,932**	254

31. Commitments

Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

Group	**2012 £000**	2011 £000
Property, plant and equipment	**1,894**	814

The Company had no capital commitments at either period end.

Operating lease commitments
The future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

		2012			2011	
Group	**Hobby centres £000**	**Other property £000**	**Other £000**	Hobby centres £000	Other property £000	Other £000
Within 1 year	**7,310**	**1,011**	**216**	8,820	1,068	239
Between 2 and 5 years inclusive	**13,261**	**1,447**	**262**	15,696	2,302	267
In over 5 years	**1,830**	**109**	**1**	876	29	-
	22,401	**2,567**	**479**	25,392	3,399	506

The Company had no operating lease commitments at either period end.

Inventory purchase commitments

Group	**2012 £000**	2011 £000
Raw materials	**1,146**	1,341

The Company had no inventory purchase commitments at either period end.

Pension arrangements
The Group and Company operate defined contribution schemes. Commitments in respect of pensions are included within prepayments and accruals.

NOTES TO THE FINANCIAL STATEMENTS continued

32. Contingencies

The Group and Company had no contingent liabilities that are expected to give rise to material liabilities at either period end.

The Group has contingent liabilities in respect of the potential reversionary interest in sub-let leasehold properties amounting to £383,000 (2011: £601,000).

The Company provides indemnities to third parties in respect of contracts regarding their use of the Group's intellectual property, under commercial terms in the normal course of business.

The Company has also guaranteed the bank overdrafts of certain Group undertakings for which the aggregate amount outstanding under these arrangements at the balance sheet date was £1,964,000 (2011: £6,054,000).

33. Related-party transactions

During the period the Company provided management and similar services to Games Workshop Limited, a subsidiary undertaking.

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

The Group had no related-party transactions in the period.

Transactions between the Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	**2012** **£000**	2011 £000
EURL Games Workshop	Interest payable	**-**	(4)
Games Workshop Italia SRL	Interest receivable	**-**	15
Games Workshop International Limited	Dividends receivable	**15,250**	5,100
Games Workshop Limited	Recharges	**404**	395
	Dividends receivable	**5,800**	14,500

Receivables/(payables) outstanding between the Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	**2012** **£000**	2011 £000	**2012** **£000**	2011 £000
Games Workshop Group PLC Employee Share Trust	**45**	40	**-**	-
Games Workshop Limited	**929**	870	**-**	-
Games Workshop America Inc.	**-**	170	**-**	-
Games Workshop Retail Inc.	**22**	-	**-**	-
EURL Games Workshop	**19**	23	**-**	-
Games Workshop SL	**6**	3	**-**	-
Games Workshop Oz Pty Limited	**14**	19	**-**	-
Games Workshop Deutschland GmbH	**6**	9	**-**	-
Games Workshop (Shanghai) Co. Limited	**5**	5	**-**	-
Games Workshop International Limited	**43**	29	**-**	-
Games Workshop (Queen Street) Limited	**1**	1	**-**	-
Games Workshop Italia SRL	**98**	67	**-**	-
Citadel Miniatures Limited	**-**	-	**-**	(1)
Games Workshop Stockholm AB	**1**	-	**-**	-
Games Workshop Limited (New Zealand)	**1**	-	**-**	-
	1,190	1,236	**-**	(1)

Current loans outstanding between the Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries	
Subsidiary	**2012** **£000**	2011 £000
Games Workshop Italia SRL	**-**	220
	-	220

Non-current loans outstanding between the Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries	
Subsidiary	**2012** **£000**	2011 £000
Games Workshop Interactive Limited	**6,779**	6,779
Less provision for impairment	**(6,779)**	(6,779)
Games Workshop Limited	**3,900**	3,900
	3,900	3,900

FIVE YEAR SUMMARY

	2012 £000	Restated* 2011 £000	Restated* 2010 £000	Restated* 2009 £000	Restated* 2008 £000
Continuing operations					
Revenue	**131,009**	123,052	126,511	125,706	110,345
Continuing operations					
Operating profit - pre-exceptional and pre-royalties receivable	**15,603**	12,789	12,989	5,462	3,184
Exceptional items - cost reduction programme	**-**	-	-	-	(2,365)
Royalties receivable	**3,537**	2,455	3,991	4,234	1,219
Operating profit	**19,140**	15,244	16,980	9,696	2,038
Finance income	**434**	132	442	333	425
Finance costs	**(100)**	(89)	(367)	(1,808)	(1,918)
Profit before taxation	**19,474**	15,287	17,055	8,221	545
Income tax expense	**(4,760)**	(4,047)	(1,302)	(2,321)	(460)
Profit attributable to equity shareholders - continuing	**14,714**	11,240	15,753	5,900	85
Profit/(loss) attributable to equity shareholders - discontinued	**-**	-	-	118	(1,186)
Basic earnings/(loss) per ordinary share	**46.8p**	36.0p	50.6p	19.3p	(3.5)p

*Prior periods have been restated to reflect the change in accounting policy for royalty income recognition.

FINANCIAL CALENDAR

Annual general meeting	20 September 2012
Announcement of half year results	January 2013
Financial year end	2 June 2013
Announcement of final results	July 2013

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Games Workshop Group PLC (the 'Company') will be held at the Company's registered office, Willow Road, Lenton, Nottingham, NG7 2WS at 10.00am on 20 September 2012 for the following purposes:

Ordinary business
As ordinary business to consider and, if thought fit, to pass the following resolutions 1 to 6 as ordinary resolutions:

Resolution 1
To receive the Company's annual accounts for the 53 weeks ended 3 June 2012 together with the directors' report, the remuneration report and the auditor's report on those accounts, the auditable part of the remuneration report and the directors' report.

Resolution 2
To re-elect M N Wells as a director.

Resolution 3
To re-elect C J Myatt as a director.

Resolution 4
To re-elect N J Donaldson as a director.

Resolution 5
To re-appoint PricewaterhouseCoopers LLP as auditors to hold office until the conclusion of the next general meeting at which accounts are laid by the Company and to authorise the directors to fix their remuneration.

Resolution 6
To approve the remuneration report for the 53 weeks ended 3 June 2012.

Special business
To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions.

Resolution 7
That the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Relevant Securities (as defined below) up to an aggregate nominal amount of £521,210 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 19 December 2013 or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities. Relevant Securities means: (i) shares in the Company other than shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act), a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security or a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; (ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Resolution 8
That subject to the passing of resolution 7 above, the directors of the Company be given the general power pursuant to sections 570 to 573 of the Companies Act 2006 (the 'Act') to allot or make offers or agreements to allot equity securities for cash, either pursuant to the authority conferred by resolution 7 above or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue so that for this purpose 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with rights attached thereto but subject to such exclusions or other arrangements as the directors consider necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory; and

(b) the allotment of equity securities up to an aggregate nominal amount of £78,971.

The power granted by this resolution will expire on 19 December 2013 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities. For the purposes of this resolution the expression ‘equity securities’ and references to ‘allotment of equity securities’ respectively have the meanings given to them in section 560 of the Act.

Resolution 9

That the Company be and is hereby granted general and unconditional authority for the purposes of section 701 of the Companies Act 2006 (the ‘Act’) to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company (‘ordinary shares’) on such terms and in such manner as the directors may from time to time determine provided that:

(a) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 19 December 2013 whichever is the earlier;

(b) the maximum aggregate number of ordinary shares that may be purchased is 4,706,691 ;

(c) the minimum price (excluding expenses) which may be paid for an ordinary share is 5p;

(d) the maximum price (excluding expenses) which may be paid for an ordinary share is the higher of: (i) an amount equal to 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day on which the purchase is made; and (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of the Company’s ordinary shares on the trading venue where the purchase is carried out;

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the board

R F Tongue
Company Secretary
30 July 2012
Registered office:
Willow Road, Lenton
Nottingham
NG7 2WS
Registered in England and Wales under number 2670969

Notes

1. Only those members registered on the Company's register of members at 6.00 pm on 18 September 2012 or, if this meeting is adjourned, at 6.00pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this document. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the proxy form.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA so as to be received no later than 48 hours before the time fixed for holding the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

NOTICE OF ANNUAL GENERAL MEETING continued

Notes continued

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. The cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA no later than the time fixed for holding the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
10. Appointment of a proxy does not preclude you from attending the meeting and voting in person.
11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
12. As at 27 July 2012 (being the last practical date prior to the publication of this notice), the Company's issued share capital comprised 31,588,534 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 27 July 2012 is 31,588,534. The website referred to in note 21 will include information on the number of shares and voting rights.
13. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') you may have a right under an agreement between you and the member of the Company who has nominated you (a 'Relevant Member') to have information rights to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
14. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.
15. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; (c) the request may be in hard copy form or in electronic form (see note 19 below), must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported, must be authenticated by the person or persons making it (see note 19 below); and must be received by the Company not later than 6 weeks before the meeting to which the request relates.
16. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (a) the matter of business must not be defamatory of any person, frivolous or vexatious, (b) the request may be in hard copy form or in electronic form (see note 19 below), must identify the matter of business by setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the persons or person making it (see note 19 below) and must be received by the Company not later than 6 weeks before the meeting to which the request relates.
17. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at note 18 below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website, and the statement may be dealt with as part of the business of the meeting. The request may be in hard copy form or in electronic form (see note 19 below), either set out the statement in full, or if supporting a statement sent by another member, clearly identify the statement which is being supported, must be authenticated by the person or persons making it (see note 19 below), and be received by the Company at least one week before the meeting.
18. In order to be able to exercise the members' right to require circulation of a resolution to be proposed at the meeting (see note 15); a matter of business to be dealt with at the meeting (see note 16) or the Company to publish audit concerns (see note 17), the relevant request must be made by a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company, or at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 12 above and the website referred to in note 21.
19. Where a member or members wishes to request the Company to circulate a resolution to be proposed at the meeting (see note 15), include a matter of business to be dealt with at the meeting (see note 16) or publish audit concerns (see note 17) such request must be made in accordance with one of the following ways: (a) a hard copy request which is signed by you, which states your full name and address and is sent to Rachel Tongue, Games Workshop Group PLC, Willow Road, Lenton, Nottingham NG7 2WS; or (b) a request which states your full name and address, and is sent to rachel.tongue@gwplc.com. Please state 'AGM' in the subject line of the e-mail.

20. Under section 319A of the Companies Act 2006 the Company must answer any question you ask relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, the answer has already been given on a website in the form of an answer to a question or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from http://investor.games-workshop.com.
22. The following documents will be available for inspection for at least 15 minutes prior to the meeting and during the meeting: (a) copies of the service contracts of executive directors of the Company and (b) copies of the service agreements of the independent directors of the Company.
23. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
24. As an alternative to completing a hard copy proxy form, a shareholder can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. Shareholders will need their voting ID, task ID and shareholder reference number (this is the series of numbers printed under their name on the proxy form). Alternatively, if a shareholder has already registered with Equiniti Limited's online portfolio service, Shareview, they can submit a proxy form at www.shareview.co.uk. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 48 hours before the time fixed to hold the meeting. Any electronic communication sent by a shareholder to the Company or the registrar that is found to contain a computer virus will not be accepted.