

## PRESS ANNOUNCEMENT

# GAMES WORKSHOP GROUP PLC

29 July 2014

## ANNUAL REPORT

Games Workshop Group PLC (“Games Workshop” or the “Group”) announces its annual report for the year to 1 June 2014.

### Highlights:

	Year to 1 June 2014	Year to 2 June 2013
Revenue	<b>£123.5m</b>	£134.6m
Revenue at constant currency*	<b>£125.9m</b>	£134.6m
Operating profit—pre-exceptional items and royalties receivable	<b>£15.4m</b>	£20.2m
Exceptional costs	<b>£4.5m</b>	-
Royalties receivable	<b>£1.4m</b>	£1.0m
Operating profit	<b>£12.3m</b>	£21.3m
Pre-tax profit	<b>£12.4m</b>	£21.4m
Cash generated from operations	<b>£25.0m</b>	£31.9m
Earnings per share	<b>25.2p</b>	51.5p
Pre-exceptional earnings per share	<b>36.1p</b>	51.5p
Dividends per share declared in the period	-	58p

Tom Kirby, chairman and acting CEO of Games Workshop said:

“Games Workshop has had a really good year.

If your measure of 'good' is the current financial year's numbers, you may not agree. But if your measure is the long-term survivability of a great cash generating business that still has a lot of potential growth, then you will agree.”

### For further information, please contact:

**Games Workshop Group PLC**  
Tom Kirby, Chairman and acting CEO  
Kevin Rountree, COO

**0115 900 4003**

Investor relations website  
General website

[investor.games-workshop.com](http://investor.games-workshop.com)  
[www.games-workshop.com](http://www.games-workshop.com)

The full 2014 annual report can be downloaded from the investor relations website at [investor.games-workshop.com](http://investor.games-workshop.com)

\*Constant currency revenue is calculated by comparing results in the underlying currencies for 2014 and 2013, both converted at the average exchange rates for the year ended 2 June 2013.

This is the first year in which the Group is required to comply with certain new reporting requirements, introduced by recent legislation and corporate governance guidelines. As a result, the Company has set out below the full content of the chairman's preamble and strategic report from the 2014 annual report.

## CHAIRMAN'S PREAMBLE

Games Workshop has had a really good year.

If your measure of 'good' is the current financial year's numbers, you may not agree. But if your measure is the long-term survivability of a great cash generating business that still has a lot of potential growth, then you will agree.

Having taken on the conversion of our stores to a one man format with all the concomitant complexity of staff changes and new sites and new lease negotiations – a long job not quite finished – we decided to re-arrange the management of our sales channels from a country-based system to a central one. This meant removing four European headquarters, consolidating all trade (third party) sales personnel at our Nottingham base, creating a new continental European grouping of our retail stores, and recruiting new management for these divisions whilst flattening the structure by removing all middle management. At the same time we changed leadership of our retail chain in the North American area, and gave birth to our new web store after many months' labour.

All this has significantly de-risked the business. We have far fewer key personnel to replace if need be, and a much lower cost base (£2 million p.a. less). It has cost, in total, around £4.5 million to accomplish. The new web store allows us to sell online more efficiently. It cost around £4 million.

This augurs well for our long term health and cash flow.

What is really remarkable, however, is that it was all accomplished in five months. The levels of complexity handled by our 'back-office' staff – personnel, IT and accounts – are beyond my descriptive abilities. And yet it was co-operatively done with precision, efficiency and calmness at a ferocious speed.

We all owe these people a big vote of thanks. They have saved the company millions.

Working with people like this is why it is a pleasure to work here.

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In the technological world we occupy there is constant debate over who 'innovates' and who merely copies. We have, this last year, spent an indecent amount of your money trying to stop someone stealing our ideas and images. It is a very difficult thing to do when it is done through a legal system designed to prevent people stealing hogs from one another. Our experience has probably been typical of most – far too much money spent on far too little gain. The argument is that we have to do this or we will, bit by bit, lose everything that we hold dear, everything that keeps the business going. Our crops will wither, our children will die piteous deaths and the sun will be swept from the sky. But is it true?

Last year I published the secret that I believe is at the heart of what makes this business great. Steve Jobs once did the same over at heavily litigating Apple. He said they ignored everything that did not lead to 'insanely great products' and that was what made them great. None of the people Apple are suing are trying to do that, so why sue?

I said, 'we recruit for attitude and not for skill'. It is what makes us great. It is those people who design the miniatures; those people who make them and those people who sell them; those people who transformed our business systems in five short months. I have been deluged with two comments about that statement, neither of which was: 'you fool, you just gave away the crown jewels'. Why doesn't everyone do it? Ask them.

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Because no one seems able to grasp the essential simplicity of what we do there has always been the search for the Achilles heel, the one thing that Kirby and his cronies have overlooked. These are legion. I run through the list from time to time when someone says that computer games will be the death of us – they are so much more realistic now! – again. This year it is 3-D printing. Pretty soon everyone will be printing their own miniatures and where will we be then, eh?

We know quite a lot about 3-D printers, having been at the forefront of the technology for many years. We know of what we speak. One day 3-D printers will be affordable (agreed), they are now, they will be able to produce fantastic detail (the affordable ones won't) and they will do it faster than one miniature per day (no, they won't, look it up). So we may get to the time when someone can make a poorly detailed miniature at home and have enough for an army in less than a year. That pre-supposes that 3-D scanning technology will be affordable and good enough (don't bet the mortgage on that one) and that everyone will be happy to have nothing but copies of old miniatures.

All of our great new miniatures come from Citadel. It is possible that one day we will sell them direct via 3-D printers to grateful hobbyists around the world. That will not happen in the next few years (or, in City-speak, 'forever') but *if* and when it does it will just mean that we can cut yet more cost out of the supply chain and be making good margins selling Citadel 3-D printers.

At the heart of the delusion is the notion that designing and making miniatures is easy. It isn't.

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On the first of January next year I will be stepping down as CEO of Games Workshop. I intend staying on as non-executive Chairman (if the board will have me), so those of you who want to see an end to these preambles (rhymes with rambles), don't get your hopes up just yet.

The board has prepared a job specification for CEO, and the consequential advertisement. The ad. will be published the day after our AGM (September 18th). If you apply, we require that you write a letter saying why you want the job. No letter, no interview. The interviews will take place on November 7th and will be at Nottingham. An announcement will be made the following week. We have not decided what will happen if no suitable candidate is found but I suspect my wife will be livid.

Let me dilate about this letter. Last year I wrote here about our recruitment process, and shortly afterwards we recruited a new non-executive director (NXD) using the method described. We got a great (not good, great) new board member. She is still surprised that I did not read her CV (exasperated would be a more accurate word) but there was no need. Her letter told us what kind of person she was: sincere, open-minded, a learner, excited at the opportunity. The interview told us she had all the qualities needed. It mattered not one jot what her CV said. Appointing NXDs because of their careers rather than *who they are* is at the heart of the rot in the corporate world.

**Tom Kirby**  
Chairman and acting CEO  
28 July 2014

## **STRATEGIC REPORT**

### **Strategy and objectives**

*Games Workshop's strategy is to make the best fantasy miniatures in the world and sell them globally at a profit, and it intends doing so forever.*

This statement includes all the key elements of what we do and why we do it that way.

The first element is the high quality. We consciously and deliberately pursue a niche market model. Not everyone wants to collect miniatures, but those that do demand high quality. All niche market customers are like that. It is what defines the niche — quality above price. Our strategy is to make the best miniatures in the world.

The second element is that we will only ever make fantasy miniatures, and by that we mean those that are in our imaginary worlds. This gives us complete control over the imagery and styles we use and complete ownership of the intellectual property.

The third element is the global nature of our business. Niche market customers are pretty thin on the ground and they need to be searched out all over the world. The main growth in our business will be as a result of this geographic spread.

The fourth element is our desire to make money doing it. We want to be efficiently profitable, partly because we enjoy paying ourselves and our owners well but even more because it allows us to keep going. We want to be in business for as long as possible and that means we need to be profitable in both good times and bad.

There is no fifth element which is a shame as it would have allowed me to indulge in a lot of movie jokes and references.

We measure our success by maintaining a high return on investments. (*Efficiently profitable.*)

The way we go about implementing this strategy is firstly to recruit the best staff we can by looking for the appropriate attitudes and behaviour each role requires, secondly by having flat, efficient management structures and thirdly by controlling costs tightly. There is no difference in our short-term, medium-term and long-term methods. All our strategic decision making is for the extreme long-term.

### **Business model**

We are vertically integrated. We design, manufacture and distribute ourselves; we have our own stores and web store. With the sole, and rapidly declining, exception of products from Tolkien's books we use only our own imaginary worlds. They are rich enough and deep enough to accommodate anything we may want to make, and they remain our property.

We sell to third party retailers under closely controlled terms and conditions. Those terms and conditions mean that we are unlikely to be attractive to heavy discounters, chains or mass-marketers. In other words, I doubt you'll find our products in Toys 'R' Us or Walmart.

We publish two magazines. A weekly (White Dwarf) that announces new products and events and a monthly (Warhammer Visions) that glories in the aesthetics of our miniatures.

Our own stores attract a lot of attention, as they should, because they are the way we recruit the majority of new customers. Their modal style is small (cheap), off the beaten track (cheap), and with only one member of staff, the store manager (cheaper than five staff, but with our performance related pay scheme the managers are capable of earning far more than before). We require all our stores to be profitable. In bad times as well as good. Our growth comes from geographic spread, led by these stores, so it would make no sense to be growing less and less profitable as we went.

Our market is a niche market made up of people who want to collect our miniatures. They tend to be male, middle-class, discerning teenagers and adults. We do no demographic research, we have no focus groups, we do not ask the market what it wants. These things are otiose in a niche.

We control the business centrally. The big sales engines are: our own stores, split into three geographic areas (North America, Europe, Britain and Ireland), trade sales (sales to third parties) and our web store. Each store manager reports to the regional manager (Josh Wimberly in North America, Elmes Duo in Europe and Grant Peacey in Britain and Ireland) and each of them reports to me *qua* CEO. The trade sales manager (John Carter) reports to me, as does the web store manager (Erik Mogensen). Design, manufacturing and distribution is in Nottingham and the manager of that division (Max Bottrill) reports to me as well.

Back office functions are run largely from Nottingham. They are Accounts (Tim Wilson), IT (Karen Lathbury), Personnel (Vicki King), Lenton site (Dave Holmes), Legal and Compliance (Rachel Tongue), Projects (Helen Surgey) and they report to Kevin Rountree, *qua* COO.

Outliers are Australia and New Zealand (Ken Warton), Asia (Chris Harbor), and Forge World (Tony Cottrell) who all report to me, Licensing (Andy Jones) who reports to Kevin and Black Library (Rik Cooper) who reports to George Mann in the main Citadel studio.

## Shareholder value

We believe shareholder value is created, primarily, by not destroying it. We have no intention to acquire other companies, nor dispose of any of those we own.

We return all our surplus cash to our owners and try to do so in ever increasing amounts. As a consequence it is probable the share price will rise. But we have no control over that. You do.

## Review of the year

### Structural re-organisation

As part of our constant drive to improve efficiency and reduce costs as well as in response to the realities of trading conditions in southern Europe we reorganised our sales structures during the last five months. These changes will also enable us to focus on the performance of our continental european retail and trade sales channels.

Until January 2014 we had a country based system with management in local countries and all the associated costs. We have closed four european offices (Aix-en-Provence, Dusseldorf, Barcelona and Frascati), consolidating trade sales in Nottingham, and have one manager for all continental european stores based in a new, tiny, office in Dusseldorf (he's mostly on the road, of course). Back office functions take place in Nottingham as far as possible. North american local autonomy was removed and for that region trade sales now reports to Nottingham and a new retail manager was appointed at the same time. Back office functions in North America now report to the appropriate manager in Nottingham.

At the same time we flattened our retail structures completely by removing all middle management.

It is early days but results so far have been encouraging. Sales in the last quarter are up on their equivalent quarter and costs down. There is also a stronger sense of belonging and Games-Workshop-ness. As I said in the preamble with my other hat on, it has been a really good year.

We paid £4.5 million for these benefits and we have classified these as exceptional costs. The costs and benefits are analysed below:

	Cost £million	Annualised benefit £million
Staff	3.0	1.0
Property	0.6	0.6
Other	0.9	0.4
	<u>4.5</u>	<u>2.0</u>

Our operations in Australia and New Zealand and Asia remain unchanged.

### Return on capital\*

During the year our return on capital fell from 59% to 42%. This was driven by both a decline in operating profit and an increase in capital employed.

### Sales

Reported sales fell by 8.2% to £123.5 million for the year. On a constant currency basis, sales were down by 6.5% from £134.6 million to £125.9 million; progress was achieved in Other sales businesses (+20.9%) and Export (+2.7%) while sales in UK (-7.1%), Continental Europe (-10.6%), North America (-7.5%), Australia (-9.4%) and Asia (-3.3%) were in decline.

### Operating profit

Pre-exceptional core business operating profit (operating profit before royalty income) fell by £4.9 million to £15.4 million (2013: £20.2 million). On a constant currency basis, core business operating profit fell by £3.6 million to £16.7 million. This result was driven by an £8.7 million sales decline, on a constant currency basis, as a direct result of lower volumes and a decline in gross margin.

Operating expenses (excluding exceptional items) fell by £6.2 million; £3.1 million due to a reduction in retail store costs, £1.1 million employee profit share not incurred in the year and £0.3 million reduction in legal costs. Savings of £0.7 million from the continental european reorganisation have been realised. Costs remain a key area of focus.

### Capital employed

Average capital employed\* increased by £2.1 million to £36.6 million. The book value of tangible and intangible assets increased by £2.2 million whilst trade and other receivables fell by £1.7 million and current liabilities fell by £1.6 million.

### Cash generation

During the year, the Group's core operating activities generated £17.9 million (2013: £25.5 million) of cash after tax payments. The Group also received cash of £2.4 million in respect of royalties in the year (2013: £1.1 million). After capital expenditure of £7.2 million there were net funds at the year end of £17.6 million (2013: £13.9 million).

\*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 receivables in the pre-Christmas trading period. Return is defined as pre-exceptional operating profit before royalty income, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, exceptional provisions, taxation and dividends.

## Investments in assets

This is what we have been spending your money on:

	2014	2013
	£million	£million
Shop fits for new and existing stores	1.1	1.2
Production equipment and tooling	2.9	2.7
Computer equipment and software	2.7	4.5
Lenton site (infrastructure)	0.5	0.4
<b>Total capital additions</b>	<b>7.2</b>	<b>8.8</b>

We invested in shop fits: 44 new stores and 4 refurbishments. We invested an additional £0.9 million in the new web store (2013: £3.1 million) and £2.6 million in tooling, and milling and injection moulding machines. Capital investment is expected to be higher than depreciation and amortisation over the next few years as we upgrade our back office systems in Nottingham.

## Dividends

We followed our principle of returning truly surplus cash to shareholders. Dividends of 16 pence per share were paid during the year (£5.1 million).

## Royalty income

Royalty income increased in the period by £0.4 million to £1.4 million.

## Taxation

The pre-exceptional tax rate for the year was 32.0% (2013: 23.7%). The post-exceptional tax rate was 35.4%. We would expect a pre-exceptional rate above that of business activities based solely in the UK, due to higher overseas tax rates.

## Sales by channel

42% (2013: 43%) of sales were made through our own stores. 36% (2013: 37%) of sales were to independent retailers and 13% (2013: 11%) mail order. We are moving to this method of counting sales but we are also publishing sales by region, as we have in the past. Next year it will be by channel only.

	Group	Continental Europe	UK	North America	Asia and Australia
Hobby centres	42%	46%	59%	31%	57%
Trade	36%	41%	28%	56%	33%
Mail order	13%	13%	13%	13%	10%
Forge World and Black Library	9%	-	-	-	-

## Store openings and closures during the year

	Number of stores			Number of stores	Number of one man stores
	at May 13	Opened	Closed	at May 14	
UK	137	9	(4)	142	103
North America	100	10	(23)	87	63
Europe	135	15	(9)	141	99
Australia	37	9	(6)	40	29
Asia	3	1	-	4	3
	<b>412</b>	<b>44</b>	<b>(42)</b>	<b>414</b>	<b>297</b>

Our ability to open new stores is still (and always will be) limited by our ability to find the right people to run them. Although we are getting better at it, it is still our number one priority.

## Trade

Sales fell by 9% in the year, partially due to the continental European reorganisation and a disappointing year in North America.

## Mail order

Our new online shop was launched this year and our online sales are broadly in line with the prior year.

## Treasury

The objective of our treasury operation is the cost effective management of financial risk. 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 pays for its operations entirely from our cash flow. As a precaution we sometimes have a small facility at the bank (just-in-case, belt-and-braces, rainy days etc.). This year we arranged a short term bank loan of £5 million in case the continental European reorganisation was more expensive than expected. It wasn't. The loan was not needed. It still cost us £38,000 though.

## Interest rate risk

Net interest receivable for the year (excluding net foreign exchange gains and unwinding of discounts on provisions) was £106,000 (2013: £176,000). Normally this risk is couched in terms of how much further in debt sudden rate rises would drag us. In our case we say: bring it on.

## Foreign exchange

Our big currency exposures are the euro and dollar:

	euro		US dollar	
	2014	2013	2014	2013
Year end rate used for the balance sheet	1.23	1.17	1.68	1.52
Average rate used for earnings	1.20	1.22	1.62	1.57

The net impact in the year of these exchange rate fluctuations on our operating profit was a reduction of £1.3 million (2013: £0.6 million).

## Product changes and initiatives

If we were planning radical changes in our products I certainly wouldn't publish them here.

## Risks and uncertainties

That we are ex-growth is a big risk seen by some. As I said above I do not believe it. But if it is true we have built a wonderfully efficient cash-generating machine.

The bigger risk is the same one I repeat each year, and that is management. So long as we have great people we will be fine. Problems will arise if the board allows egos and private agendas to rule.

We also need a constant flow of great managers for our stores. In the end that is still the most important thing of all.

## The future

Next year, internally, there will be some disruption remaining from the big reorganisation we have just made and from the one man store programme. Nevertheless I, and all the rest of Games Workshop, still believe we should be growing by opening new stores; particularly in North America and Germany.

External events that may affect us are only those things that bother everyone: interest rates, tax rates, exchange rates, directives from Brussels, war, pestilence and disease. What will not change is the eternal desire for some always to want yet more of the small, jewel-like objects of magic and wonder that we call Citadel miniatures.

Beyond next year, the business ought to be able to increase sales (single digit growth, not more) for many years and to provide owners with a steady flow of dividends. I say 'ought to' because no plan survives contact with the enemy and we will not promise what we cannot deliver — in particular our policy of only returning surplus cash as dividends will remain. We will not borrow (nor engage in fancy financial engineering) to pay a coupon.

Nevertheless, with or without growth, I expect to see dividends. I am not planning to sell any of my shares.

## Tom Kirby

Chairman and acting CEO  
28 July 2014

## Statement of directors' responsibilities

The directors confirm that this condensed consolidated financial information has been prepared in accordance with IFRSs and that the management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties; and
- material related-party transactions in the year and any material changes in the related-party transactions described in the last annual report.

A list of all current directors is maintained on the investor relations website at [investor.games-workshop.com](http://investor.games-workshop.com).

By order of the board

## T H F Kirby

Chairman and acting CEO

## K D Rountree

COO  
28 July 2014

## CONSOLIDATED INCOME STATEMENT

	Notes	Pre-exceptional items £000	Exceptional items £000	<b>Total Year ended 1 June 2014 £000</b>	Restated* Year ended 2 June 2013 £000
<b>Revenue</b>	2	123,501	-	<b>123,501</b>	134,597
Cost of sales		(36,766)	-	<b>(36,766)</b>	(36,772)
<b>Gross profit</b>		86,735	-	<b>86,735</b>	97,825
Operating expenses	3	(71,380)	(4,500)	<b>(75,880)</b>	(77,596)
Other operating income – royalties receivable		1,442	-	<b>1,442</b>	1,025
<b>Operating profit</b>	2	16,797	(4,500)	<b>12,297</b>	21,254
Finance income		106	-	<b>106</b>	176
Finance costs		(7)	-	<b>(7)</b>	(35)
<b>Profit before taxation</b>		16,896	(4,500)	<b>12,396</b>	21,395
Income tax expense	5	(5,409)	1,020	<b>(4,389)</b>	(5,077)
<b>Profit attributable to owners of the parent</b>		11,487	(3,480)	<b>8,007</b>	16,318
Basic earnings per ordinary share	7			<b>25.2p</b>	51.5p
Diluted earnings per ordinary share	7			<b>25.1p</b>	51.2p
Basic earnings per ordinary share – pre-exceptional items	7			<b>36.1p</b>	51.5p
Diluted earnings per ordinary share – pre-exceptional items	7			<b>36.0p</b>	51.2p

\*Prior periods have been restated to reflect a change in the classification of translator costs within the income statement with effect from 3 June 2012 (see note 6).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Year ended 1 June 2014 £000</b>	Year ended 2 June 2013 £000
<b>Profit attributable to owners of the parent</b>	<b>8,007</b>	16,318
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	<b>(1,233)</b>	445
Other comprehensive (expense)/income for the period	<b>(1,233)</b>	445
<b>Total comprehensive income attributable to owners of the parent</b>	<b>6,774</b>	16,763

The following notes form an integral part of this condensed consolidated financial information.

## CONSOLIDATED BALANCE SHEET

	Notes	1 June 2014 £000	2 June 2013 £000
<b>Non-current assets</b>			
Goodwill		1,433	1,433
Other intangible assets	10	8,683	8,033
Property, plant and equipment	11	21,027	20,604
Trade and other receivables		1,408	1,638
Deferred tax assets		4,715	7,221
		<u>37,266</u>	<u>38,929</u>
<b>Current assets</b>			
Inventories		8,035	8,170
Trade and other receivables		9,145	10,864
Current tax assets		636	524
Cash and cash equivalents	9	17,550	13,931
		<u>35,366</u>	<u>33,489</u>
<b>Total assets</b>		<u>72,632</u>	<u>72,418</u>
<b>Current liabilities</b>			
Trade and other payables		(12,765)	(19,637)
Current tax liabilities		(587)	(2,863)
Provisions	12	(3,009)	(946)
		<u>(16,361)</u>	<u>(23,446)</u>
<b>Net current assets</b>		<u>19,005</u>	<u>10,043</u>
<b>Non-current liabilities</b>			
Other non-current liabilities		(360)	(360)
Provisions	12	(517)	(758)
		<u>(877)</u>	<u>(1,118)</u>
<b>Net assets</b>		<u>55,394</u>	<u>47,854</u>
<b>Capital and reserves</b>			
Called up share capital		1,593	1,586
Share premium account		9,490	9,059
Other reserves		1,655	2,888
Retained earnings		42,656	34,321
<b>Total equity</b>		<u>55,394</u>	<u>47,854</u>

The following notes form an integral part of this condensed consolidated financial information.

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 2 June 2013 and 3 June 2013	1,586	9,059	2,888	34,321	47,854
Profit for the year to 1 June 2014	-	-	-	8,007	8,007
Exchange differences on translation of foreign operations	-	-	(1,233)	-	(1,233)
<b>Total comprehensive (expense)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,233)</b>	<b>8,007</b>	<b>6,774</b>
Transactions with owners:					
Share-based payments	-	-	-	288	288
Shares issued under employee sharesave scheme	7	431	-	-	438
Deferred tax charge relating to share options	-	-	-	(34)	(34)
Current tax credit relating to exercised share options	-	-	-	74	74
<b>Total transactions with owners</b>	<b>7</b>	<b>431</b>	<b>-</b>	<b>328</b>	<b>766</b>
<b>At 1 June 2014</b>	<b>1,593</b>	<b>9,490</b>	<b>1,655</b>	<b>42,656</b>	<b>55,394</b>

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 3 June 2012 and 4 June 2012	1,579	8,737	2,443	35,848	48,607
Profit for the year to 2 June 2013	-	-	-	16,318	16,318
Exchange differences on translation of foreign operations	-	-	445	-	445
Total comprehensive income for the period	-	-	445	16,318	16,763
Transactions with owners:					
Share-based payments	-	-	-	286	286
Shares issued under employee sharesave scheme	7	322	-	-	329
Deferred tax credit relating to share options	-	-	-	41	41
Current tax credit relating to exercised share options	-	-	-	232	232
Dividends to Company shareholders	-	-	-	(18,404)	(18,404)
Total transactions with owners	7	322	-	(17,845)	(17,516)
At 2 June 2013	1,586	9,059	2,888	34,321	47,854

The following notes form an integral part of this condensed consolidated financial information.

## CONSOLIDATED CASH FLOW STATEMENT

		Year ended 1 June 2014 £000	Year ended 2 June 2013 £000
	Notes		
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	24,997	31,908
UK corporation tax paid		(4,492)	(4,291)
Overseas tax paid		(229)	(976)
		<u>20,276</u>	<u>26,641</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(5,673)	(5,361)
Proceeds on disposal of property, plant and equipment		54	113
Purchases of other intangible assets		(1,522)	(3,398)
Expenditure on product development		(4,652)	(3,531)
Interest received		104	176
		<u>(11,689)</u>	<u>(12,001)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital		438	329
Interest paid		-	(13)
Dividends paid to Company shareholders		(5,077)	(18,381)
		<u>(4,639)</u>	<u>(18,065)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,948</b>	<b>(3,425)</b>
Opening cash and cash equivalents		13,931	17,358
Effects of foreign exchange rates on cash and cash equivalents		(329)	(2)
<b>Closing cash and cash equivalents</b>	9	<b><u>17,550</u></b>	<b><u>13,931</u></b>

The following notes form an integral part of this condensed consolidated financial information.

# NOTES TO THE FINANCIAL INFORMATION

## 1. General information

The consolidated financial statements of Games Workshop Group PLC 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.

These results for the year ended 1 June 2014 together with the corresponding amounts for the year ended 2 June 2013 are extracts from the 2014 annual report and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The annual report for the year ended 1 June 2014, on which the auditors have issued a report that does not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006, will be posted to shareholders on 30 July 2014 and will be delivered to the Registrar of Companies in due course. Copies will also be available from Rachel Tongue, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS. This information is also available on the Company's website at <http://investor.games-workshop.com>.

The annual general meeting will be held at Willow Road, Lenton, Nottingham, NG7 2WS at 10.00am on 17 September 2014.

The annual financial report is prepared in accordance with the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority and accounting policies consistent with those used in the 2013 annual report except as follows:

- The Group has changed the application of its accounting policy for classification of translator costs within the income statement. The impact of this change is explained in note 6.

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 capitalised development costs and 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.

## 2. 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. The segment information reported to the executive directors 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, digital sales and Warhammer World.
- Product and Supply. This includes the design and manufacture of the products and incorporates production facilities in the UK and, until March 2013, in North America.
- 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, Australia and North America.
- Licensing costs. These are the costs of running the licensing department.
- Service centre costs. Service centres are established in the UK and in North America to provide support services (IT, accounting, payroll, personnel, supplier development, legal and customer services) 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's 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.

## 2. 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 taxation below.

The segment information reported to the executive directors for the year ended 1 June 2014 is as follows:

	External revenue		Internal revenue		Total	
	Year ended 1 June 2014 £000	Year ended 2 June 2013 £000	Year ended 1 June 2014 £000	Year ended 2 June 2013 £000	Year ended 1 June 2014 £000	Year ended 2 June 2013 £000
<i>Sales businesses</i>						
UK	28,535	30,922	-	-	28,535	30,922
Continental Europe	35,739	39,452	-	-	35,739	39,452
North America	32,652	36,688	-	-	32,652	36,688
Australia	8,633	10,943	-	-	8,633	10,943
Export	1,785	1,741	-	-	1,785	1,741
Asia	1,677	1,854	-	-	1,677	1,854
All other sales businesses	14,480	12,997	1,316	1,719	15,796	14,716
<i>Other segments</i>						
Product and Supply	-	-	57,428	67,062	57,428	67,062
<b>Total</b>	<b>123,501</b>	<b>134,597</b>	<b>58,744</b>	<b>68,781</b>	<b>182,245</b>	<b>203,378</b>
Intra-group sales eliminations	-	-	(58,744)	(68,781)	(58,744)	(68,781)
<b>Total revenue</b>	<b>123,501</b>	<b>134,597</b>	<b>-</b>	<b>-</b>	<b>123,501</b>	<b>134,597</b>

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 profit before taxation below:

	Year ended 1 June 2014 £000	Restated* Year ended 2 June 2013 £000
Operating profit		
<i>Sales businesses</i>		
UK	2,244	5,227
Continental Europe	4,790	5,218
North America	3,720	3,336
Australia	557	756
Export	581	457
Asia	223	155
All other sales businesses	7,403	6,554
<i>Other segments</i>		
Product and Supply	18,930	27,824
<b>Total segment core business operating profit</b>	<b>38,448</b>	<b>49,527</b>
Logistics and stock management	(10,138)	(10,980)
Licensing costs	(372)	(321)
Service centre costs	(9,773)	(9,391)
Web costs	(2,324)	(1,673)
Central costs	(5,402)	(5,610)
Profit in stock	704	51
Share-based payment charge	(288)	(286)
Profit share scheme charge	-	(1,088)
<b>Total group core business operating profit</b>	<b>10,855</b>	<b>20,229</b>
Royalty income	1,442	1,025
<b>Total group operating profit</b>	<b>12,297</b>	<b>21,254</b>
Finance income	106	176
Finance costs	(7)	(35)
<b>Profit before taxation</b>	<b>12,396</b>	<b>21,395</b>

Costs of £928,000 for the year ended 2 June 2013 relating to finance, IT and personnel teams based in Australia have been restated since the last annual report into Service centre costs rather than being shown in Product and Supply. This reflects the current management structure in place.

Costs of £529,000 for the year ended 2 June 2013 relating to european language translation costs have been restated since the last annual report into Product and Supply rather than being shown in Continental Europe, as well as being reclassified from operating expenses to cost of sales to reflect a change in the classification of translation costs with effect from 3 June 2012 (see note 6). This reflects the current management structure in place.

## 2. Segment information continued

Exceptional costs of £4,500,000 for the year ended 1 June 2014 are included within Product and Supply (£4,060,000), Continental Europe (£115,000) and Central costs (£325,000).

\*Prior periods have been restated to reflect a change in the classification of translator costs within the income statement with effect from 3 June 2012 (see note 6).

## 3. Exceptional items

The exceptional items relate to the continental european reorganisation announced in January 2014. As part of this reorganisation, £2,987,000 has been incurred in redundancy and severance costs, £608,000 in closing local country head offices and £905,000 in professional fees and other costs.

## 4. Dividends per share

A dividend of 18 pence per share, amounting to a total dividend of £5,711,000 and a dividend of 24 pence per share, amounting to a total dividend of £7,616,000 were declared and paid during the year ended 2 June 2013. A further dividend of 16 pence per share, amounting to a total dividend of £5,077,000 was declared during the year ended 2 June 2013 and paid during the current period.

After the balance sheet date, a dividend of 20 pence per share, amounting to a total dividend of £6,372,000 was declared and it was paid on 4 July 2014.

## 5. Tax

	Pre-exceptional items £000	Exceptional items £000	<b>Total Year ended 1 June 2014 £000</b>	Year ended 2 June 2013 £000
Current UK taxation:				
UK corporation tax on profits for the period	2,956	(1,051)	<b>1,905</b>	4,200
Over provision in respect of prior periods	(54)	-	<b>(54)</b>	(104)
	-----	-----	-----	-----
	2,902	(1,051)	<b>1,851</b>	4,096
Current overseas taxation:				
Overseas corporation tax on profits for the period	908	-	<b>908</b>	802
Over provision in respect of prior periods	(360)	-	<b>(360)</b>	(107)
	-----	-----	-----	-----
Total current taxation	3,450	(1,051)	<b>2,399</b>	4,791
Deferred taxation:				
Origination and reversal of timing differences	1,645	31	<b>1,676</b>	192
Under provision in respect of prior periods	314	-	<b>314</b>	94
	-----	-----	-----	-----
<b>Tax expense recognised in the income statement</b>	<b>5,409</b>	<b>(1,020)</b>	<b>4,389</b>	<b>5,077</b>
	=====	=====	=====	=====
Current tax credit relating to sharesave scheme	(74)	-	<b>(74)</b>	(232)
Deferred tax charge/(credit) relating to sharesave scheme	34	-	<b>34</b>	(41)
	-----	-----	-----	-----
<b>Credit taken directly to equity</b>	<b>(40)</b>	<b>-</b>	<b>(40)</b>	<b>(273)</b>
	=====	=====	=====	=====

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

	<b>Year ended 1 June 2014 £000</b>	Year ended 2 June 2013 £000
Profit before taxation	<b>12,396</b>	21,395
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 22.67% (2013: 23.83%)	<b>2,810</b>	5,098
Effects of:		
Items not deductible/(assessable) for tax purposes	<b>662</b>	(384)
Movement in deferred tax not recognised	<b>(10)</b>	-
Higher tax rates on overseas earnings	<b>1,027</b>	480
Adjustments to tax charge in respect of prior periods	<b>(100)</b>	(117)
	-----	-----
<b>Total tax charge for the period</b>	<b>4,389</b>	<b>5,077</b>
	=====	=====

Included within the £4,389,000 disclosed above, £3,000 relates to changes in rates of UK corporation tax in the year. The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. Further reductions were included in the Finance Act 2013, which have been substantively enacted, to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £16,000.

## 6. Change of accounting policy

Since the last annual report the Group has changed the application of its accounting policy for the classification of translator costs within the income statement. Previously translator costs were recognised in the income statement within operating expenses. Under the new policy, translator costs are recognised in the income statement within cost of sales. Comparative amounts have been restated for the prior period as if the application of the new accounting policy had always been applied in accordance with IAS 1 (revised), 'Presentation of financial statements'. The Group believes that the new policy results in a fairer reflection of the nature of translator costs in the Group income statement.

There is no impact on assets or liabilities reported at either 2 June 2013 or 3 June 2012, hence no balance sheet has been presented as at 3 June 2012.

The change in accounting policy has resulted in an increase in cost of sales and a decrease in operating expenses of £529,000 in the income statement for the year to 2 June 2013.

The impact of the change in policy for the current financial period is an increase in cost of sales and a decrease in operating expenses of £717,000 in the income statement.

## 7. Earnings per share

### Basic earnings per share

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

	<b>Year ended 1 June 2014</b>	Year ended 2 June 2013
Profit attributable to owners of the parent (£000)	<b>8,007</b>	16,318
Weighted average number of ordinary shares in issue (thousands)	<b>31,805</b>	31,671
Basic earnings per share (pence per share)	<b>25.2</b> =====	51.5 =====

### Basic earnings per share - pre-exceptional items

Basic earnings per share - pre-exceptional items is calculated by dividing the profit attributable to owners of the parent, before exceptional items, by the weighted average number of ordinary shares in issue during the period.

	<b>Year ended 1 June 2014</b>	Year ended 2 June 2013
Pre-exceptional profit attributable to owners of the parent (£000)	<b>11,487</b>	16,318
Weighted average number of ordinary shares in issue (thousands)	<b>31,805</b>	31,671
Basic earnings per share – pre-exceptional items (pence per share)	<b>36.1</b> =====	51.5 =====

### Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit attributable to owners of the parent 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.

	<b>Year ended 1 June 2014</b>	Year ended 2 June 2013
Profit attributable to owners of the parent (£000)	<b>8,007</b>	16,318
Weighted average number of ordinary shares in issue (thousands)	<b>31,805</b>	31,671
Adjustment for share options (thousands)	<b>129</b>	192
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>31,934</b>	31,863
Diluted earnings per share (pence per share)	<b>25.1</b> =====	51.2 =====

### Diluted earnings per share - pre-exceptional items

The calculation of diluted earnings per share - pre-exceptional items has been based on the profit attributable to owners of the parent, before exceptional items, 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.

	<b>Year ended 1 June 2014</b>	Year ended 2 June 2013
Pre-exceptional profit attributable to owners of the parent (£000)	<b>11,487</b>	16,318
Weighted average number of ordinary shares in issue (thousands)	<b>31,805</b>	31,671
Adjustment for share options (thousands)	<b>129</b>	192
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>31,934</b>	31,863
Diluted earnings per share – pre-exceptional items (pence per share)	<b>36.0</b> =====	51.2 =====

## 8. Reconciliation of profit to net cash from operating activities

	2014	2013
	£000	£000
Operating profit	12,297	21,254
Depreciation of property, plant and equipment	4,907	5,099
Net impairment reversal on property, plant and equipment	(204)	(69)
Loss/(profit) on disposal of property, plant and equipment	370	(7)
Loss on disposal of intangible assets	333	403
Amortisation of capitalised development costs	4,121	2,700
Amortisation of other intangibles	849	1,178
Share-based payments	288	286
Changes in working capital:		
- (Increase)/decrease in inventories	(468)	1,422
- Decrease in trade and other receivables	1,545	315
- (Decrease)/increase in trade and other payables	(952)	17
- Increase/(decrease) in provisions	1,911	(690)
<b>Net cash from operating activities</b>	<b>24,997</b>	<b>31,908</b>
	=====	=====

## 9. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2014	2013
	£000	£000
Cash at bank and in hand	16,432	13,019
Short-term bank deposits	1,118	912
<b>Cash and cash equivalents</b>	<b>17,550</b>	<b>13,931</b>
	=====	=====

## 10. Other intangible assets

	2014	2013
	£000	£000
Net book value at beginning of the year	8,033	5,177
Additions	5,968	7,136
Exchange differences	(15)	1
Disposals	(333)	(403)
Amortisation charge	(4,970)	(3,878)
<b>Net book value at end of year</b>	<b>8,683</b>	<b>8,033</b>
	=====	=====

## 11. Property, plant and equipment

	2014	2013
	£000	£000
Net book value at beginning of the year	20,604	20,567
Additions	5,739	5,126
Exchange differences	(189)	47
Disposals	(424)	(106)
Charge for the period	(4,907)	(5,099)
Impairment	204	69
<b>Net book value at end of year</b>	<b>21,027</b>	<b>20,604</b>
	=====	=====

## 12. Provisions

Analysis of total provisions:

	<b>2014</b>	2013
	<b>£000</b>	£000
Current	<b>3,009</b>	946
Non-current	<b>517</b>	758
	<b>3,526</b>	1,704
	=====	=====

	Exceptional items £000	Employee benefits £000	Property £000	Total £000
At 2 June 2013	-	751	953	1,704
Charged/(credited) to the income statement	2,470	(62)	109	2,517
Exchange differences	-	(46)	(44)	(90)
Discount unwinding	-	-	3	3
Utilised	-	(75)	(533)	(608)
<b>At 1 June 2014</b>	<b>2,470</b>	<b>568</b>	<b>488</b>	<b>3,526</b>
	=====	=====	=====	=====

## 13. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is £478,000 (2013: £484,000).

## 14. Related-party transactions

There were no material related-party transactions during the current or prior period.