GAMES WORKSHOP GROUP PLC

Annual report 2009

FINANCIAL HIGHLIGHTS

	2009	2008
Revenue	**£125.7m**	£110.3m
Revenue at constant currency*	**£113.9m**	£110.3m
Operating profit - pre-royalties receivable**	**£5.5m**	£0.8m
Royalties receivable	**£3.5m**	£1.7m
Operating profit**	**£9.0m**	£2.5m
Pre-tax profit	**£7.5m**	£1.1m
Discontinued operations profit/(loss) for the year	**£0.1m**	£(1.2)m
Year end net borrowings	**£1.6m**	£10.1m
Earnings/(loss) per share	**17.8p**	(2.4)p

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* Constant currency is calculated by comparing results in the underlying currencies for 2008 and 2009, both converted at the 2008 average exchange rates as set out on page 10.
** Details of exceptional items relating to the cost reduction programme in the prior year are set out in note 5.

CHAIRMAN'S PREAMBLE

I was brought up to understand that the Chinese had a hierarchy of three curses: *'May you come to the attention of those in authority'*, *'May you live in interesting times'* and, *'May you find what you are looking for'**. I think I can fairly claim we have suffered from them all this last year.

'*Coming to the attention of those in authority*' sounds pretty grim, doesn't it? With all the connotations of arbitrary unfairness, interference and blame, and an associated feeling of utter helplessness as some faceless bureaucrat rolls the dice of your fate. It's not so bad really. We are a public company and we bump into 'authority' all the time. Mostly it's fine. One area of constant contact is our adherence to, or otherwise, of the corporate governance expectations laid upon public companies. We have in the past had a chairman who was also chief executive (me) that caused small concerns, and we still have non-executive directors who, according to the code, may not be 'independent'. That code doesn't allow for true independence of mind which is what they both have. They think for themselves and I am sure you share my gratitude to them for that.

A few months ago I was reminded that, as a board, we are expected to assess our own effectiveness. A couple of years ago the board worked with a team from KPMG to help us with that assessment. Since then I have been thinking about what we should do to continue that process. Rather than go down the rather depressing, box-ticking route that seems to be the norm, I have asked our head of the Games Workshop Academy to look into doing this as we would do for our own executives and staff. His remit is broad: you may well get asked how well you think your board is doing.

Alan Stewart, who has served the company well for far longer than either of us cares to remember, has reluctantly had to resign during the year on taking up a new job based in the Republic of Ireland. He was a great example of a man who might not fit with the official definition of 'independent' but, as anyone who has met him will tell you, would never waver from his unbending moral code and determination to ensure businesses are run ethically and transparently no matter how long he may have been on the board. Thank you Alan. Please stay in touch.

Our senior independent director Chris Myatt and our other independent director Nick Donaldson share those qualities with Alan. They serve your interests diligently, challenging management's thinking when appropriate. I know that they would both love to hear from you if you have any concerns about the business – and even if you don't! They will both be at our AGM, as usual. This year it is on September 17th and starts at 10am prompt. We tried something new last year and had a lot of Games Workshop's most important people at the meeting to talk about what we all do here. It was a tremendous success and we will be repeating that event - only a little bigger - this year. Please come. It's a wonderful insight into how your company really works and an opportunity to meet our chief executive Mark Wells, our CFO Kevin Rountree and other members of our senior management team. I will be there as well, of course.

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'*May you live in interesting times*' is also meant to be a curse, and you can see why, if you want to live a quiet and untroubled life. Personally, I don't, so for me the fact we have all been living in 'interesting times' for the last couple of years has been just that: really interesting. It depends on what you read, or course, but there is no shortage of people prepared to write that 'capitalism is dead' or some other similar tosh. I've always been mildly baffled by the notion that there is, somewhere, an alternative to capitalism. The field has been muddied by Marx capitalizing the word as Capitalism, and demonising it with mid-nineteenth century fears of mass revolution, international hunger and poverty. It has since somehow become the cause of all the world's wrongs and I'm sure if you search diligently enough amongst the barmier reaches of the internet you'll find it is responsible for hurricanes in the Caribbean, flooding in Tewkesbury, measles, Mexican flu and the failure of Leeds United to get promoted *again*.

Capitalism is another way of saying we make things and sell them at a profit and it will never end. Those who say (hope?) capitalism is dead would serve us all better by working to ensure venality, cupidity and certifiable stupidity were dead instead. Sadly they are not. It isn't capitalism that's the problem it's people's bad behaviour. That is what we should rail against, not the honest human need to better ourselves.

A fascinating side effect of our recent woes has been the resurrection of the periodic 'Warren Buffet has lost the plot' stories. Buffet has no more lost the plot than those who criticise him have found it. There is no 'plot'. There is only an accumulation over a long time of good decision taking outnumbering bad. If your chairman has a guiding star it is that one. I cannot make good decisions all the time, but if I am to remain useful to you I'd better make a lot more good ones than bad ones. Just like Warren Buffet.

Recently our record on good decisions has been better. Our profits, year on year, have improved a lot; the underlying growth in our core business is more modest. Nevertheless it is there. Just as importantly, this result, together with effective asset management, has enabled us to reduce borrowings significantly, therefore further strengthening Games Workshop's balance sheet.

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* I have since discovered that these probably aren't Chinese at all but emerged sometime in the mid-twentieth century amongst western diplomats who had Chinese connections.

'*May you find what you are looking for*' is intended as a cautionary admonition not to look for too much, nor to look for that which you do not fully understand. To make what we wish for here at GW sensible and achievable we have focused on doing what we always have done well better, and stopped doing all the other things. By 'better' we mean growing the sales in the business but making sure the cost base works even at last year's low sales numbers. So you could say we have found a bit of what we are looking for and it isn't cursed.

Other things we have found are: better trade terms - designed to help those who make the serious commitment of having a real store where they can talk to customers and explain how our games work and teach modelling and painting; a more sustainable store opening model - smaller, cheaper stores that open when we want them to be (not mall operators) and can be run by just one member of staff if need be; higher prices - enabling us to respond when costs increase dramatically as the price of tin did last summer; and, very importantly, a better balance between the price of our plastic miniatures and our metal ones - for similar models prices ought to be similar and not less 'because they are plastic'.

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I said at the beginning we had 'suffered' from these curses. May you live in interesting times? Yes, please, bring 'em on. May you come to the attention of those in authority? We have nothing to hide and no-one to fear. May you find what you are looking for? So long as we look for the right things, let's make sure we do. At long last it looks like we are starting to do so again.

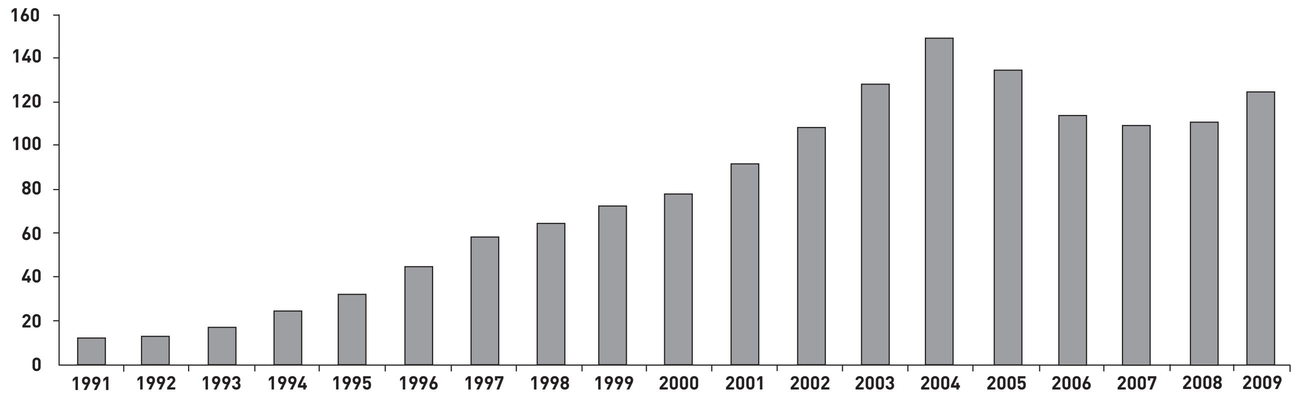
Tom Kirby
Chairman

BUSINESS REVIEW

It's good to be back in sales growth, although I would encourage you not to get too carried away because we did benefit from some significant exchange rate movements. Because of this we have also included some comparisons in the highlights based on sales in constant currency* to give a more realistic perspective on our progress.

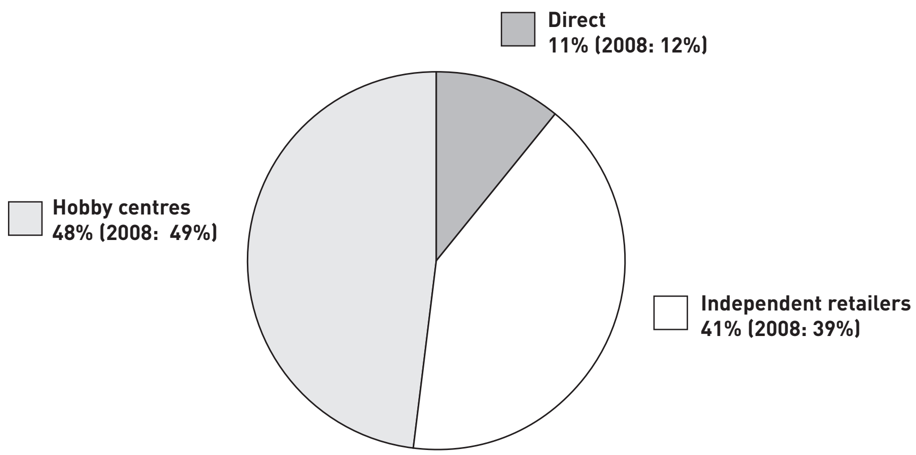
As far as sales are concerned, we had a disappointing third quarter. The simple truth is that we didn't do a good enough job of helping all the customers we recruited in the summer purchase product over Christmas. We make no excuses at Games Workshop, lessons have been learned and it is good to report that in the fourth quarter we have seen a return to steady growth.

Sales - £m



There are no silver bullets for growing sales at Games Workshop. It requires a consistent focus on the basics of recruiting new hobbyists through our Hobby centres and using our games to teach them how to buy, build, paint and collect ever larger armies of miniatures. We retain these hobbyists as customers by releasing fantastic new products and running exciting activities to keep everyone engaged in the Hobby. By growing our active customer base in this way, our sales to independent retailers (trade) and direct businesses benefit as well. It is simple to say, but hard to do, which is why it all comes down to the strength of our management teams in each sales business and in particular the quality of our managers in each Hobby centre.

Sales by channel

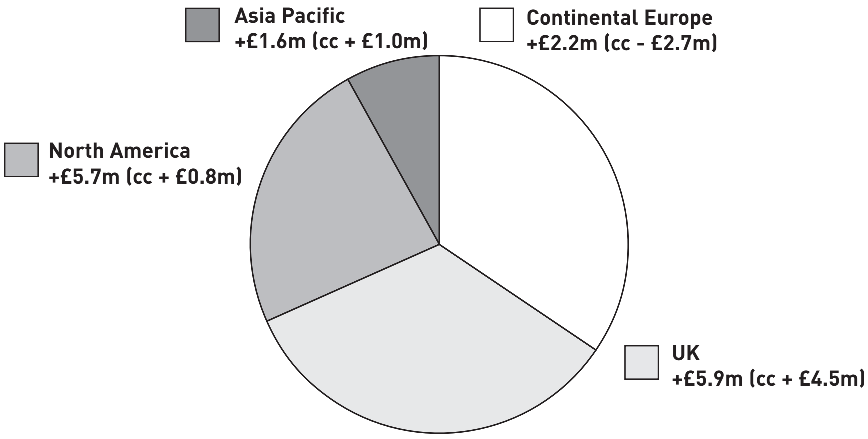


* Constant currency growth is calculated by comparing sales in the underlying currencies for 2008 and 2009, both converted at the 2008 average exchange rates set out on page 10.

In the UK, North America and Asia Pacific our management teams remained focused on building our customer base and delivered sales growth. Not enough progress had been made in Continental Europe, particularly in Spain and Italy so in the second half we made management changes to both of these businesses. The task of rebuilding their customer base has begun and we expect these new teams to deliver growth within the next couple of years.

Sales by territory*

cc - constant currency



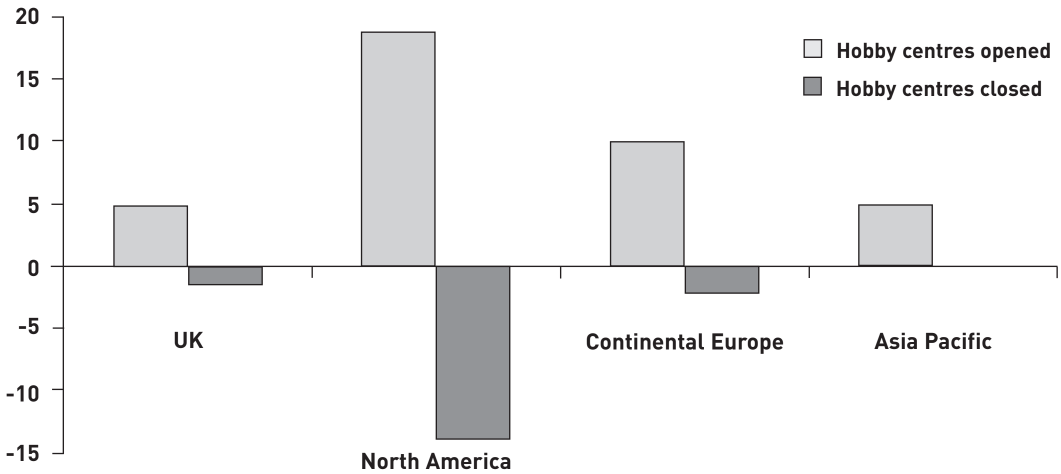
Forge World and Black Library are two small and highly successful businesses which sell, respectively, specialist resin kits and books based on the worlds of Warhammer and Warhammer 40,000 to Games Workshop hobbyists. Both businesses have seen strong growth this year, reflecting both the quality of the management and the underlying health of the Games Workshop Hobby.

Our gross margin strengthened in the second half as we benefited from the metal price increase that we implemented in the autumn and further cost reductions in our manufacturing and supply chain. Raw material prices have returned to more normal levels in the second half but we continue to invest in converting more of our range to plastic, both to improve the quality of the models and make us less sensitive to metal cost fluctuations.

The last few years have reminded us how important it is to be cost conscious and we have made good progress in restoring this cost saving culture across the business. We have reduced staffing levels in our Hobby centres by adjusting opening hours to better reflect when our hobbyists are available to play. We have limited our property cost increases by better planned rent negotiations and relocations to lower cost premises when possible. Our new web store has improved efficiency in processing orders and allowed us to slim down our direct sales teams. We also closed our Canadian office and relocated our Italian office to more modest premises outside Rome.

Investment has been focused on two key drivers of performance, opening more Hobby centres, which increased from 334 to 355, and developing more plastic injection tools. These two areas will remain the focus of future investment. Other non-essential capital expenditure has been cut back. In addition, we have implemented automatic stock replenishment and streamlined product ranges into our UK and North American Hobby centres to improve our control of working capital. This is being rolled out into Europe next year.

Hobby centre openings in 2008/9



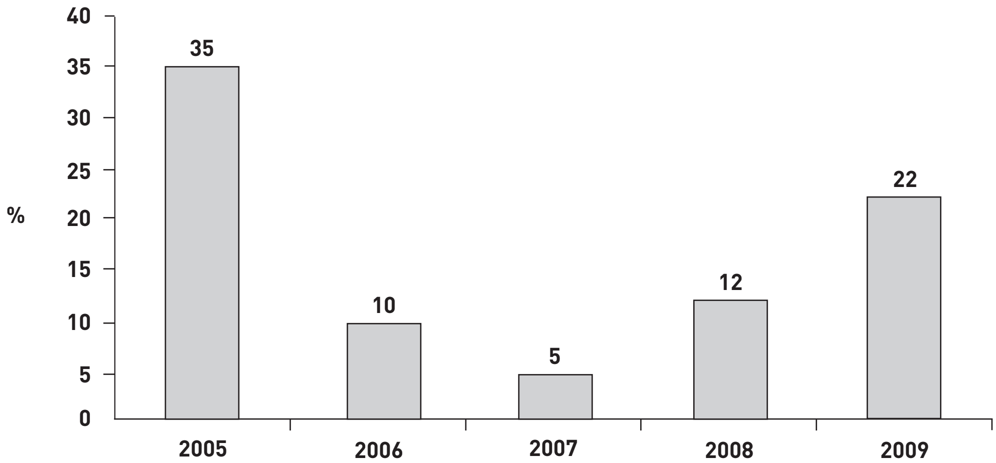
* Sales by territory includes an allocation of web sales from the UK to the respective territory of destination to aid comparison with the prior year.

BUSINESS REVIEW continued

In North America, we continue to make good progress with our programme of closing Hobby centres in shopping malls at the end of their lease and replacing them with small 'strip mall' locations where rents are lower and we have more control over opening hours. In total we have 81 Hobby centres in North America and with the closure programme nearing completion we expect to deliver double digit openings for the foreseeable future. In the UK and Continental Europe we successfully piloted the new one-man format, which will allow us to open profitable Hobby centres in much smaller towns. We now expect to see an increase in such openings across both these territories.

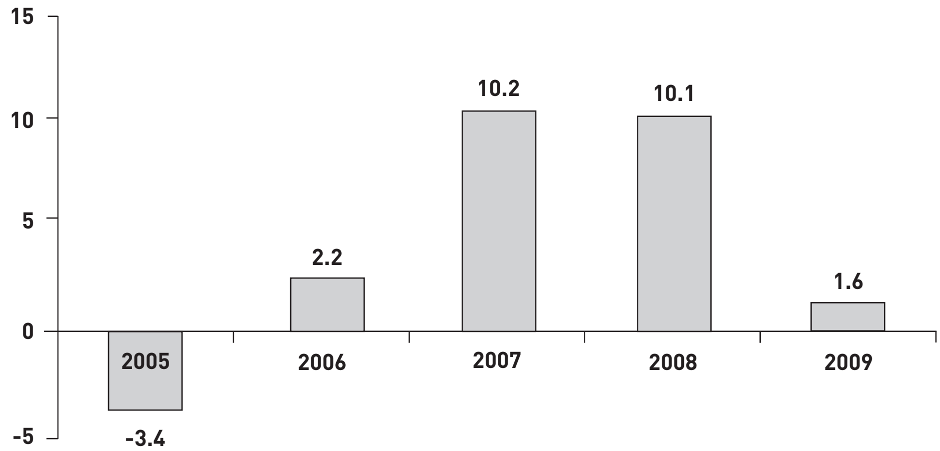
The combination of modest sales growth, gross margin improvement and controlled costs has resulted in an increase in operating margins to 7.2%. And with more focused investment and better asset management, the return on capital has strengthened from 12% to 22%. We expect the improvement in operating margins and asset turn to continue as sales volumes increase over time and stock management is rolled out across Continental Europe, further strengthening our return on capital.

Return on average capital employed*



Finally, royalty income has increased from £1.7 million to £3.5 million. While we don't rely on this income, it has made a very welcome contribution to our cash flow from operating activities, up from £10.7 million to £18.1 million. As a result we have been able to reduce our net debt from £10.1 million to £1.6 million by year end. Our banking arrangements are in place until 2011 and our covenant cover is excellent.

Net debt/(cash) - £m



So a pleasing set of results. But the real story this year is that we have been preparing ourselves for growth. Tom referred to some of this work in his preamble and I am going to talk about these important initiatives in more detail.

First, we have been working on our Hobby centre models to make them as cost effective as possible. This involved successfully piloting a smaller model in the UK, Continental Europe and North America. This smaller model delivers all the customer benefits of introductory games, painting lessons and Hobby activity, but does so with lower property costs, staffing levels and capital investment. We believe we can roll this format out into many more locations in our largest markets, thereby expanding our global customer base further than we had thought previously.

*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.

I described earlier the importance of the manager in each Hobby centre to its sales performance. Last year we started building a pipeline of Hobby centre managers in the UK and North America to support their Hobby centre opening plans. This has had the additional benefit of improving the overall quality of Hobby centre managers across both businesses and we are now intending to implement a similar improvement in the manager pipeline in Continental Europe. We are now prepared for a sustained period of Hobby centre openings across the world.

We have also completed the rollout of our new website and global web store. This complex project has been completed on time and within budget. The new web store is being introduced into each Games Workshop Hobby centre to allow hobbyists access to our full product range with free delivery to the store. Order turnaround time has been improved dramatically and we now have the engine to support our growth plans.

We have also introduced new trade terms in the UK and Continental Europe which rewards those accounts which deliver a higher level of service to customers and reduces the discount to those accounts which had been benefiting from the hard work of others. This and the large swings in exchange rates between sterling and the euro have made it difficult for our Continental European trade teams in the second half. Now these new terms are in place we are well prepared to build a sustainable base of quality trade accounts across Europe for the foreseeable future.

We have centralised the management of worldwide stock for all Hobby centres and warehouses in Nottingham. With automatic replenishment, the streamlined range and new EPOS tills in France and Germany, this new global stock management team should be able to optimise stock levels and reduce wastage as we grow.

We implemented a new factory layout in Nottingham which will help deliver gross margin improvements as volumes increase. We have improved our resin manufacturing processes in Nottingham and implemented a new resin cell in Shanghai to manage the significantly higher levels of sales growth we have been experiencing from Forge World.

We have centralised our pricing and range decisions in Nottingham to ensure that we have more consistent pricing across the range to better reflect the improvement in quality we have been delivering. Indeed, with the investment we have made in our state-of-the-art plastic tool making facility in Nottingham and skill of our design and manufacturing teams, the quality of our new plastic miniatures are now superior to their metal counterparts. By charging what these new models are worth, we can continue to invest in further plastic product development and quality improvements across the range.

Risks facing the business

We have a formal risk reporting process as part of our annual planning cycle, which is linked into the internal and external audit process, but the management of these risks is an integral part of our daily management process. Our management structure and the reporting systems which we have developed make this process transparent and accountable. The head of sales of each business is responsible for growing the value of his business in each country and for managing market facing risks; the head of operations is responsible for minimising the economic costs of production and risks inherent in that; the chief financial officer is responsible for managing corporate risks and for ensuring we comply with the regulatory environment.

Tom has said on many previous occasions that the biggest risks facing Games Workshop are that we lose focus on what makes us successful and fail to develop the management talent to deliver it. That is why we have invested in the Games Workshop Academy and an annual succession planning programme.

- The Academy's role is to support the personal development of all senior managers and to embed in them the management behaviours and understanding of Games Workshop's niche business model so that we run the business the right way.
- Our annual succession planning reviews ensure that we are developing good short-term and long-term internal candidates for each senior management role.

Both these approaches have been used successfully this year in filling important sales, operational and finance roles with excellent internal candidates.

In the past we have also referred to the risk that something catastrophic happens to our Nottingham facility and to adverse variances in commodity prices such as metal. We have mitigated the risk to our Nottingham facility by establishing a manufacturing and warehousing hub in Memphis which has the capacity to meet our needs should anything prevent the Nottingham facility from operating effectively. And as we demonstrated this year, we have mitigated the risk of metal cost price increases by the continued development of our plastic ranges, where we are better able to manage commodity price fluctuations.

Financial risks are discussed in detail in the financial review on page 10.

Games Workshop people

I take this opportunity to thank all of the people at Games Workshop who have helped make a success of this financial year. Our staff really are our most important assets and no financial balance sheet can adequately reflect this truth. Kevin Rountree joined the board in October 2008 as chief financial officer and Kevin and his team are doing sterling work on the finance front. In this role Kevin succeeded Michael Sherwin, who left the Group after nine years' service. We thank Michael for his contribution and wish him well for the future.

BUSINESS REVIEW continued

Prospects

There remain opportunities for geographical growth of our core business in all of our existing territories. We have developed better retail formats and well structured trade terms to ensure we can grow profitably in each of these territories. We also have a web store which can support our customer base for the long term.

We have a strong product release schedule which delivers constantly improving quality miniatures each month on time. Our manufacturing and supply operations are increasingly efficient and reliable. Our costs are under tight control and our service centres are operating well.

We have established a five year plan and KPIs to allow us to measure performance in all these areas. We have invested sensibly in management recruitment and development, in particular with our Games Workshop Academy. This year's succession plan reviews have confirmed that we now have good internal candidates to fill all senior roles.

And finally, while we are not dependent on royalty income, we continue to look for opportunities to develop high quality licences with strong players in attractive markets.

In summary, we are pleased to have delivered a good set of results this year, significantly reducing our net debt. We believe that we have laid the foundations for steady growth and that the prospects for Games Workshop remain good.

Mark Wells

Chief executive

27 July 2009

FINANCIAL REVIEW

Sales

Sales increased by 14.0% to £125.7 million for the year. On a constant currency basis, revenue was up by 3.3% from £110.3 million to £113.9 million: progress was achieved in UK (+12%), North America (+3%) and Asia Pacific (+13%) while sales in Continental Europe were in decline.

Operating profit

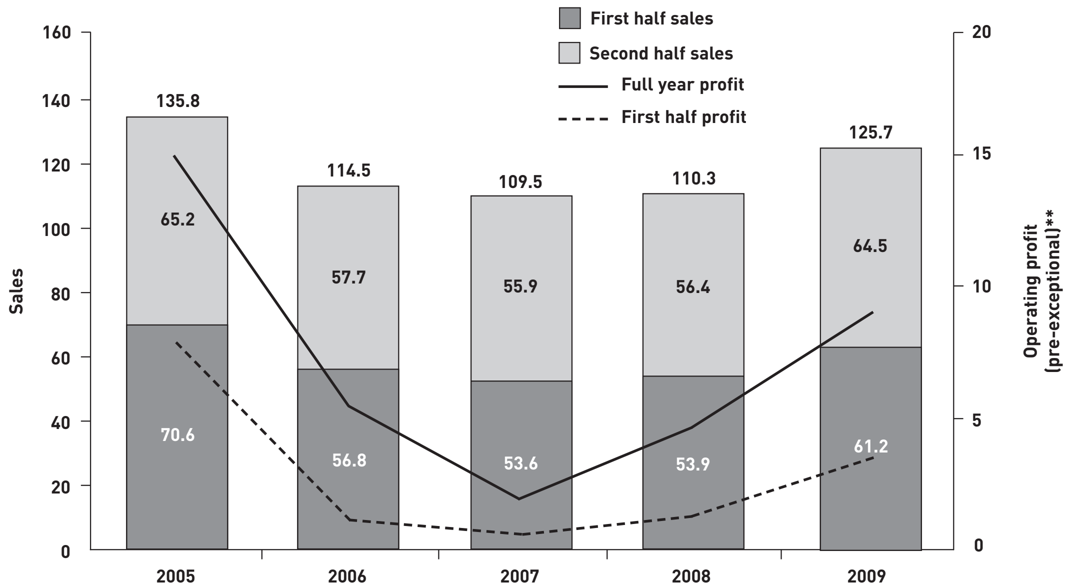
Before royalty income, core business* operating profit rose by £4.7 million to £5.5 million. The formal cost reduction programme was completed in the prior year but cost remains a key area of focus. Redundancies incurred in restructuring management teams across the Group, impairments and loss making stores are set out in note 9 to the financial statements.

After royalty income of £3.5 million (2008: £1.7 million) operating profit increased by £6.5 million to £9.0 million.

Profits

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

Sales and operating profits - £m



Cash generation and investment

Cash flow from operating activities increased by £7.4 million to £18.1 million. Net borrowings as at the year end fell by £8.5 million to £1.6 million.

Our investments in capital expenditure have been as follows:

	2009 £m	2008 £m
Shop fits for new and existing Hobby centres	2.2	1.3
Production equipment and tooling	3.1	3.2
Computer equipment and software	1.3	2.6
Office facilities	0.1	0.3
Total capital additions	6.7	7.4

* Core business relates to the Hobby business before any royalty income.

** Costs incurred in the year ended 31 May 2009 in respect of ongoing redundancies, impairments and loss making stores are set out in note 9.

FINANCIAL REVIEW continued

Taxation

The effective tax rate for the year was 28%. We would expect a rate higher than that of a business with activities based solely in the UK due to higher overseas tax rates. The reduction in rate year on year is due to the recognition of further overseas losses, offset by the one off charge of £1 million due to the phasing out of industrial buildings allowances from 2008 onwards and provision for tax exposures.

Treasury

The objective of our treasury operations is the management of financial risk at optimal cost. The function manages the relationships with the Group's external debt providers centrally. Acting as a cost centre it operates within a range of board approved policies, using conventional financial instruments. No transactions of a speculative nature are undertaken.

Funding and liquidity risk

The Group finances its operations from shareholders' funds and borrowing facilities. The objective is to maintain the constant availability of an appropriate amount of reasonably priced funding for the Group's operational and strategic needs for the foreseeable future. During the year we had a committed two year secured revolving credit facility of £20 million and an uncommitted working capital facility (subject to annual review) of £5 million. The related banking covenants were based on interest cover, net debt to EBITDA ratio and cash flow to interest and dividends ratio. The covenants, which are measured quarterly, were complied with during the year.

Since the year end these facilities have been renewed, and for the next two years (to July 2011) the committed secured revolving credit facility will be £12 million, and the uncommitted working capital facility (subject to annual review) is £4 million. The covenants remain as described above.

Interest rate risk

When borrowing facilities are renewed, the expected utilisation levels are reviewed and the need for protection against higher interest rates is considered. This is also reviewed at the time of the annual budget. During 2007/8 the Group purchased an interest rate cap to mitigate the impact of potential increases in interest rates. Interest was paid at floating rates which equated to 6.3% during the year.

Foreign exchange risk

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

	euro		US dollar	
	2009	2008	2009	2008
Year end rate used for the balance sheet	1.14	1.27	1.61	1.98
Average rate used for earnings	1.18	1.38	1.63	2.01

The net impact of these fluctuations on our operating profit before royalties receivable was favourable to our earnings when converted into sterling by approximately £0.5 million.

As some of our businesses pay our manufacturing operation in foreign currency (primarily US dollar and euro) for 2008/9, we have continued to manage this transactional exposure through the use of forward currency contracts covering a proportion of our estimated non-sterling receipts. Translational exposures for the trading results of non-sterling denominated subsidiaries are not hedged. There is an element of balance sheet hedging as euro denominated borrowings are designated as hedges of the net investment in euro denominated subsidiaries.

Key performance indicators (KPIs)

Currently, the KPIs used in the business relate to sales performance by channel and territory and to return on average capital employed as discussed in the business review. KPIs evolve over time and are reviewed regularly for their appropriateness.

Kevin Rountree

Chief financial officer

27 July 2009

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 31 May 2009.

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 business review on pages 4 to 8 and the financial review on pages 9 to 10, which are incorporated into this directors' report by reference, 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. 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.

Dividend

The directors do not recommend a final dividend. No dividends have been paid in 2008 or 2009.

Substantial shareholdings

The following interests in 3% or more of the issued share capital of the Company as at 23 July 2009 have been disclosed to the Company:

	No. of ordinary shares	Percentage
The Nomad Investment Partnership LP	7,414,887	23.8
Investec Asset Management Limited	5,768,410	18.5
Phoenix Asset Management Partners Limited	4,746,107	15.2
Schroder Investment Management Limited	2,801,604	9.0
Polar Capital Forager Fund Limited	1,162,220	3.7

As at 23 July 2009 the Company has not been notified of any other substantial shareholdings other than that of one of the directors, which is disclosed in the remuneration report on page 19.

Directors

The present directors of the Company are listed on page 21. All of the directors were members of the board throughout the year with the exception of K D Rountree who was appointed on 22 October 2008. K D Rountree therefore seeks re-election at this year's annual general meeting. M Sherwin resigned from the board on 22 October 2008 and A J H Stewart resigned from the board on 31 March 2009. Under the Company's articles of association one third of the directors (or the number nearest to but not exceeding one third) are required to retire by rotation at each annual general meeting. Those who retire are any director who wishes to retire and would not offer himself up for re-election or otherwise those directors who have been longest in office since their election or last re-election. Under this formula one director is required to retire at this year's annual general meeting and is seeking re-election, namely T H F Kirby. In addition, as a result of his long service, independent director C J Myatt is required to retire and is seeking re-election. In relation to C J Myatt, the chairman has confirmed that, following formal performance evaluation, the performance of C J Myatt continues to be effective and he continues to demonstrate commitment to his role as independent director, including commitment of the necessary time to board and committee meetings and other duties. C J Myatt is 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 are disclosed in the remuneration report on page 19, together with details of share options granted to the directors. 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.

Information on executive directors

T H F Kirby (age 59), 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.

M N Wells (age 47), chief executive. Mark Wells joined Games Workshop in May 2000 as director of strategy and planning. He qualified as a solicitor with Messrs Herbert Smith. He then had 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.

Information on executive directors continued

K D Rountree (age 39), chief financial officer. 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. He qualified as a chartered management accountant in August 2001. Prior to joining Games Workshop, Kevin was with J Barbour & Sons Limited and Price Waterhouse.

Information on independent directors

C J Myatt (age 65). 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 vice chairman of the Douglas Macmillan Hospice Limited. He was formerly a divisional managing director within Tarmac PLC.

N J Donaldson (age 55). Nick Donaldson was appointed to the board on 18 April 2002. A barrister by profession, Nick is a partner and co-founder of The Capital Markets Group 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 an independent director of The Clapham House Group PLC and chairman of F4G Software plc.

Share capital, share rights and other information

As at 24 July 2009, 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 24 July 2009 there were 31,128,622 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 rights 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 association, 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 a 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 those shares both in a general meeting and at a meeting of shareholders of that class. If such shareholder holds more than 0.25% or more of the issued shares of a class (excluding treasury shares) and is in default of 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 31 May 2009, the Company had an unexpired authority to repurchase shares up to a maximum of 4,638,164 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.

The Company has bank facilities and under the terms of these facilities the Company is required in the event of a change of control to give notification to the bank which may, in the absence of prior written consent from the lender, result in cancellation of the facilities.

Constructive use of the annual general meeting

The chairmen of the audit 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.

Auditors

As at 27 July 2009, 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.

Environment and Community

The main focus for this year has been to continually improve our health, safety and environmental performance in accordance with our guiding principles as set out below:

High standards of health, safety and environmental control are an essential part of good business management, and they rank equal in importance with other business elements. Each employee is expected to understand, promote, participate in and adhere to the implementation of this policy.

We will conduct our businesses according to the following guiding principles, which will be supported by effective management systems:

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 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.

In September 2008, Games Workshop created an energy project team to drive improved energy performance across the Nottingham site. The target was to achieve a reduction in our energy bills by May 2009.

A major part of this challenge was achieving buy in from our employees. This was achieved through presentations, including energy in the home, suggestions schemes, visuals promoting changes in habit and rewards. Running parallel with that, the energy team organised energy surveys with the help of the Carbon Trust. A plan prioritising areas where the biggest savings could be achieved for the lowest cost was formulated which included planning for larger capital investments over the next five years.

The team achieved a £29,000 reduction, being a 8% reduction from forecast. This is the equivalent of 235 tonnes of CO^2 emissions. Our retail chain energy use will be a focus for 2009/10.

Our waste management plan to reduce the amount of waste going to landfill has taken a major step forward. Since April 2009 all our non-recyclable general waste has been sent to a local waste-to-energy plant. This has significantly reduced the transportation of waste and provided heating and electricity to public buildings in Nottingham city centre. We are still continuing to identify recycling opportunities within our general waste stream as recycling technology and markets improve.

In May 2009, Games Workshop launched its cycle to work scheme in the UK, utilising the tax incentives introduced by the UK Government. This scheme helps reduce congestion and improve the health and well-being of our employees. It is available to all UK employees and over 25 employees have purchased new bicycles since its launch.

In 2008/9 at our Nottingham site, we achieved a 36% reduction (47 to 30) in the number of accidents reported against the previous year and a 75% reduction (8 to 2) in the number of RIDDOR reportable accidents (over 3 days' absence). We continue to focus on accident causation and minimising risk where possible.

The Group does not make significant cash donations to charities. However, the Group encourages all employees to engage with their communities in whatever way each individual believes to be most appropriate. The Group encourages staff to raise money for charities by providing time and resources. During this financial year, staff in several of our businesses raised money for good causes through sponsored events. The Group helped them to realise their fundraising targets by matching the sponsorship monies raised. This matching cost for the Group was £7,000 (2008: £2,000) during the year. In addition to staff fundraising, gifts in kind have been donated to a number of charities. The Group made no contributions for political purposes.

Employees

The Group's policy is to consult and discuss with employees 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 aptitude and abilities.

DIRECTORS' REPORT continued

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 full statement of intent with regard to supplier sourcing is available on our website at investor.games-workshop.com.

The Company's current policy concerning the payment of the majority of its trade creditors is to:

a) settle the terms of payment with those suppliers when agreeing the terms of each transaction
b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
c) pay in accordance with its contractual and other legal obligations.

This payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. Wherever possible UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies, by applying local best practices.

The number of days credit taken by the Group from its suppliers at the year end was 27 days (2008: 38 days).

There are no contracted or other arrangements in place which are essential to the business.

Going concern

The activities of the Group, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 4 to 8. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 9 to 10. Based on the Group's cash flow forecasts and assessment of downside risk, the directors beieve that the Group will meet its borrowing requirements and comply with its banking covenants.

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
Secretary
27 July 2009

CORPORATE GOVERNANCE

The Listing Rules of the Financial Services Authority require listed companies to disclose, in relation to section 1 of the Combined Code on Corporate Governance 2006 (the Combined Code), how they have applied its principles and whether they have complied with its provisions throughout the accounting period.

This statement, together with the remuneration report on pages 18 to 20, 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 business review and the financial review. The board presents these reviews, together with the directors' report on pages 11 to 14, to give a balanced and understandable assessment of the Group's position and prospects.

The board

The board comprises the chairman, the chief executive, one further executive director and two independent directors. It is chaired by the chairman, T H F Kirby.

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 chief executive, or the chief financial officer, 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 Combined 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 this list of circumstances as one of the independent directors has 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 and lazy thinking and a reluctance to accept the status quo.

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

The 'nine year rule' is a handy 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. Indeed, 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 point in favour of retaining the experience 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.

All directors bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. In 2009 the board and its committees had ten scheduled meetings, each of which was attended by all members of the board, with the exception of A J H Stewart (prior to his resignation) who attended five meetings out of a possible eight. 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 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. 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 has established a process for the ongoing assessment of its own performance and that of its committees. This has been 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 and those who participated in the review. 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 City, the audit and the remuneration and nomination committees will be available to answer questions at the Company's annual general meeting.

City committee

The City committee comprises the independent directors and is chaired by N J Donaldson. It meets not less than twice a year and is responsible for corporate governance, investor relations, City presentations and liaison with City advisers. The City committee held three meetings in the year, each of which was attended by all members of the committee with the exception of A J H Stewart who attended one meeting.

Remuneration and nomination committee

The remuneration and nomination committee comprises the independent directors and is chaired by N J Donaldson (previously C J Myatt). It meets not less than 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, each of which was attended by all members of the committee with the exception of A J H Stewart who attended two meetings. The committee meets without the executive directors at least annually to appraise the executive directors' performance.

Audit committee

The audit committee comprises the two independent directors under the chairmanship of C J Myatt (previously A J H Stewart) 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. The committee has also established the policy that the external auditors will only be asked to perform services directly related to their audit responsibilities. The Group therefore uses different advisers for taxation. In some limited instances, the auditors, due to their understanding of the Group, are requested to perform non-audit services. This is only with the prior approval of the audit committee.

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

- reviewed the 2008 annual report and 2009 half-yearly 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 2009 annual report;
- agreed a programme of work for the internal auditors; and
- received reports from the internal auditors on the work performed and management responses to points made in the 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 with the exception of A J H Stewart who attended two meetings out of a possible three.

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 the significant business 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 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 controls, including financial, operational and compliance controls and risk management. The monitoring of control procedures is achieved through regular review by the chief financial officer, 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 has not been considered appropriate.

Communication with shareholders

The Company encourages two way communication with its institutional and private investors and responds promptly to all queries received verbally, in writing or directly through its investor relations website investor.games-workshop.com (the 'Talk to Tom' section). The half-year and final results are presented publicly to analysts and other meetings with shareholders are arranged as appropriate and these, together with the institutional presentation documents, are also posted simultaneously on the website.

The Company has an established investor relations programme in the course of which the chairman, the chief executive and the chief financial officer have regular meetings with major shareholders to update them on the Company's progress and to discuss any issues which these investors may have. Any issues arising at such meetings are reported and considered by the board. In addition, the Company's financial advisers and stockbrokers, Singer Capital Markets, obtain shareholder feedback on a confidential basis from major investors following the meetings and this is reported in summary and considered at board meetings.

The Company offers shareholders the opportunity to receive all communication from the Company electronically; information on how to sign up to this facility is available on the Games Workshop website.

Remuneration report

The Company's policy on executive remuneration and details of the executive directors' salaries, annual bonuses and pensions, and fees for the independent directors, are set out in the board report on remuneration on pages 18 to 20.

During the year, the executive directors participated in a new bonus scheme which applies equally to all employees. The maximum bonus that can be earned is £1,000 per person. This does not comply with provision B.1.1. of the Combined Code in that performance related elements do not form a significant proportion of the total remuneration package. The Company believes that the payment of significant bonuses does not incentivise the directors to align their interests with those of shareholders. The commitment and high performance standards of the directors are pre-requisites of their roles and as such are already reflected in the level of remuneration.

Statement of compliance with the Combined Code

With the exception of provision B.1.1., throughout the year the Company has complied with all of the provisions set out in section 1 of the Combined Code.

By order of the board

R F Tongue
Secretary
27 July 2009

REMUNERATION REPORT

Remuneration and nomination committee

The committee comprises solely the independent directors being 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 Combined Code relating to the design of performance related remuneration with the exception of clause B.1.1. This is explained in the corporate governance report. In preparing this report the board has followed the provisions of the Combined 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 bonus, 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. performance related bonus (variable).

For 2008/9, the executive directors participated in a new bonus scheme which applies equally to all employees.

Salaries

Salaries are reviewed annually and, in deciding the appropriate salary levels, the committee takes into consideration a number of factors: the executive director's experience, responsibility and market value. 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 bonuses, are pensionable.

Bonuses

During the year, the executive directors participated in a new bonus scheme which applies equally to all employees. The maximum bonus that can be earned is £1,000 per person. No bonus is due for the current year.

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 and permanent health insurance.

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.

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 23 April 2009 and N J Donaldson on 29 April 2009. The effective date for both contracts was 1 April 2009.

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 (i.e. 1 June 2004 to 1 June 2009). The index of the FTSE small cap companies has been used because the constituents of this index 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 31 May 2009 Ordinary shares of 5p each		As at 1 June 2008 or date of appointment Ordinary shares of 5p each	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
T H F Kirby	**1,913,009**	**-**	1,813,009	-
M N Wells	**59,188**	**47,891**	59,188	47,891
K D Rountree	**1,126**	**-**	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 year ended 31 May 2009

	Fees 2009 £000	Salary 2009 £000	Bonus 2009 £000	Benefits in kind 2009 £000	Compensation for loss of office 2009 £000	**Total emoluments 2009 £000**	Total emoluments 2008 £000	**Pension contributions 2009 £000**	Pension contributions 2008 £000
Executive directors									
T H F Kirby	-	350	-	5	-	**355**	389	**35**	35
M N Wells	-	250	-	4	-	**254**	133*	**25**	9
K D Rountree (from appointment)	-	87	-	1	-	**88**	-	**7**	-
M Sherwin (until resignation)	-	100	-	5	342	**447**	264	**10**	24
Independent directors									
N J Donaldson	30	-	-	-	-	**30**	30	**-**	-
C J Myatt	35	-	-	-	-	**35**	35	**-**	-
A J H Stewart (until resignation)	25	-	-	-	-	**25**	30	**-**	-
	90	787	-	15	342	**1,234**	881	**77**	68

* From appointment on 1 December 2007

Pensions

The Company contributes into a self invested personal pension scheme for T H F Kirby. The Company and M N Wells and K D Rountree contribute into the Group's personal pension scheme. 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:

	Number as at 1 June 2008 or date of appointment	Granted	Cancelled	**Number as at 31 May 2009**	Exercise dates Commencement	Expiry	Exercise price
K D Rountree	5,020	-	-	**5,020**	Nov 2011	Apr 2012	191.2p
M N Wells	-	5,020	-	**5,020**	Nov 2011	Apr 2012	191.2p
	3,229	-	(3,229)	**-**	Nov 2009	Apr 2010	292.6p
T H F Kirby	3,229	-	-	**3,229**	Nov 2009	Apr 2010	292.6p

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 one year.

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.

There was no movement in directors' interests in shares of the Company between 31 May 2009 and the date of this report.

The mid-market price of the Company's shares on 31 May 2009 was 207.5p (2008: 172.5p) and the range of the market prices during the year was 118.75p to 275p (2008: 155.25p to 365.25p).

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
27 July 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 elected to prepare the Group and 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 Group and the Company 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;

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 the 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 below confirm that, to the best of their knowledge:

- the Company and Group 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 Company and Group; and

- the business review and the financial review include a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

By order of the board

M N Wells
Chief executive
27 July 2009

COMPANY'S DIRECTORS AND ADVISERS

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

Company secretary
R F Tongue

Registered office
Willow Road
Nottingham NG7 2WS

Registered number
2670969

Financial advisers and stockbrokers
Singer Capital Markets Limited
One Hanover Street
London W1S 1YZ

Principal bankers
Bank of Scotland
55 Temple Row
Birmingham B2 5LS

Registered auditors
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

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 year ended 31 May 2009 which comprise the consolidated income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group and Company statements of recognised income and expense 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 21, 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 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 Sections 495 to 497 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.

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 31 May 2009 and of the Group's profit and Group's and parent company's cash flows for the year 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 IAS 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; and
- the information given in the directors' report for the financial year for which the financial statements are prepared 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 14, in relation to going concern; and
- the parts of the corporate governance report relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Keith Harrington (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 July 2009

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 May 2009 £000**	Year ended 1 June 2008 £000
Continuing operations			
Revenue	3	**125,706**	110,345
Cost of sales		**(35,919)**	(33,731)
Gross profit		**89,787**	76,614
Operating expenses	4	**(84,244)**	(75,798)
Other operating income - royalties receivable		**3,471**	1,736
Operating profit	3	**9,014**	2,552
Finance income	7	**333**	425
Finance costs	8	**(1,808)**	(1,918)
Profit before taxation	9	**7,539**	1,059
Income tax expense	10	**(2,107)**	(613)
Profit for the year from continuing operations		**5,432**	446
Discontinued operations			
Profit/(loss) for the year from discontinued operations	11	**118**	(1,186)
Profit/(loss) attributable to equity shareholders	30	**5,550**	(740)

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

Basic earnings/(loss) per ordinary share	12	17.8p	(2.4)p
Diluted earnings/(loss) per ordinary share	12	17.8p	(2.4)p
Basic earnings per ordinary share – continuing operations	12	17.4p	1.4p
Diluted earnings per ordinary share – continuing operations	12	17.4p	1.4p

The results of the card games, role-playing games and board games activities have been presented in discontinued operations as detailed in note 11.

Details of exceptional items impacting the results are set out in note 5.

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. Of the profit/(loss) attributable to equity shareholders, £(2.6) million (2008: £(2.0) million) is attributable to the Company.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Group		Company	
	Year ended 31 May 2009 £000	Year ended 1 June 2008 £000	**Year ended 31 May 2009 £000**	Year ended 1 June 2008 £000
Profit/(loss) attributable to equity shareholders	**5,550**	(740)	**(2,572)**	(1,955)
Exchange differences on translation of foreign operations	**2,605**	1,626	**-**	-
Cash flow hedges:				
- fair value losses	**(112)**	(940)	**-**	-
- transferred to the income statement	**940**	88	**-**	-
Net investment hedge	**(621)**	(737)	**-**	-
Tax on items recognised directly in equity	**(58)**	237	**-**	-
Total recognised income/(expense) for the year	**8,304**	(466)	**(2,572)**	(1,955)

The notes on pages 26 to 55 are an integral part of these financial statements.

BALANCE SHEETS

	Notes	Group 31 May 2009 £000	Group 1 June 2008 £000	Company 31 May 2009 £000	Company 1 June 2008 £000
Non-current assets					
Goodwill	14	**1,433**	1,433	**-**	-
Other intangible assets	15	**5,811**	6,059	**-**	-
Property, plant and equipment	16	**25,380**	26,422	**-**	-
Investments in subsidiaries	17	**-**	-	**30,281**	30,281
Trade and other receivables	20	**1,570**	1,234	**15,456**	15,015
Financial assets - derivative financial instruments	24	**-**	14	**-**	14
Deferred tax assets	18	**4,704**	3,005	**23**	30
		38,898	38,167	**45,760**	45,340
Current assets					
Inventories	19	**10,678**	10,392	**-**	-
Trade and other receivables	20	**9,959**	9,870	**4,035**	2,266
Assets held for sale	16	**-**	464	**-**	-
Current tax assets		**32**	854	**6**	-
Financial assets - derivative financial instruments	24	**210**	17	**-**	10
Cash and cash equivalents	21	**10,355**	7,723	**-**	4,643
		31,234	29,320	**4,041**	6,919
Total assets		**70,132**	67,487	**49,801**	52,259
Current liabilities					
Financial liabilities - borrowings	22	**(2)**	(2,791)	**(590)**	-
Financial liabilities - derivative financial instruments	24	**(550)**	(1,401)	**-**	-
Trade and other payables	25	**(14,092)**	(15,351)	**(2,433)**	(4,828)
Current tax liabilities		**(2,233)**	(222)	**-**	-
Provisions	27	**(1,046)**	(1,155)	**(10)**	(86)
		(17,923)	(20,920)	**(3,033)**	(4,914)
Net current assets		**13,311**	8,400	**1,008**	2,005
Non-current liabilities					
Financial liabilities - borrowings	22	**(12,000)**	(15,001)	**(12,000)**	(15,000)
Other non-current liabilities	26	**(632)**	(723)	**(6,337)**	(1,503)
Provisions	27	**(1,586)**	(1,317)	**(2)**	(2)
		(14,218)	(17,041)	**(18,339)**	(16,505)
Net assets		**37,991**	29,526	**28,429**	30,840
Capital and reserves					
Called up share capital	28	**1,556**	1,556	**1,556**	1,556
Share premium account	28	**7,822**	7,822	**7,822**	7,822
Other reserves	29	**1,837**	(321)	**101**	101
Retained earnings	30	**26,776**	20,469	**18,950**	21,361
Total shareholders' equity		**37,991**	29,526	**28,429**	30,840

The notes on pages 26 to 55 are an integral part of these financial statements.

The financial statements on pages 23 to 55 were approved by the board of directors on 27 July 2009 and were signed on its behalf by:

M N Wells, Director

K D Rountree, Director

CASH FLOW STATEMENTS

	Notes	Group **Year ended 31 May 2009 £000**	Group Year ended 1 June 2008 £000	Company **Year ended 31 May 2009 £000**	Company Year ended 1 June 2008 £000
Cash flows from operating activities					
Cash generated from operations	31	**18,902**	11,097	**(3,411)**	(1,632)
UK corporation tax (paid)/received		**(191)**	6	**(3)**	5
Overseas tax paid		**(592)**	(418)	**-**	-
Net cash from operating activities		**18,119**	10,685	**(3,414)**	(1,627)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(6,291)**	(5,705)	**-**	-
Proceeds on disposal of intangible assets	31	**-**	44	**-**	-
Proceeds on disposal of property, plant and equipment	31	**62**	50	**-**	-
Proceeds on disposal of asset held for sale		**500**	-	**-**	-
Purchases of other intangible assets		**(1,315)**	(1,557)	**-**	-
Expenditure on product development		**(2,249)**	(2,266)	**-**	-
Interest received		**333**	415	**64**	49
Net cash from investing activities		**(8,960)**	(9,019)	**64**	49
Cash flows from financing activities					
Proceeds from borrowings		**2,000**	5,189	**2,000**	9,800
Loans received from related parties		**-**	-	**5,020**	1,692
Repayment of borrowings		**(5,000)**	-	**(5,000)**	**-**
Repayments of borrowings to related parties		**-**	-	**(3,227)**	-
Repayment of principal under finance leases		**(13)**	(10)	**-**	-
Interest paid		**(1,258)**	(1,681)	**(856)**	(901)
Net cash from financing activities		**(4,271)**	3,498	**(2,063)**	10,591
Effects of foreign exchange rates		**523**	124	**180**	(341)
Net increase/(decrease) in cash and cash equivalents		**5,411**	5,288	**(5,233)**	8,672
Opening cash and cash equivalents		**4,944**	(344)	**4,643**	(4,029)
Closing cash and cash equivalents	21	**10,355**	4,944	**(590)**	4,643

For the purpose of the cash flow statement, cash and cash equivalents includes bank overdrafts (see note 21).

The notes on pages 26 to 55 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, the US and China, and sells mainly in Western Europe, North America and Asia Pacific.

The Company is a limited liability 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 has its listing 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 years 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 years ended 31 May 2009 and 1 June 2008. 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, which are prepared to 31 December. The management accounts of Games Workshop (Shanghai) Co Limited, prepared to 31 May 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 realisable 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 expenditure

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 6 to 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 or sell it;
- there is an ability to use or sell 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 or sell 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. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The principal annual depreciation 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 rates used for this purpose are:

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

Leasehold premises 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.

2. Summary of significant accounting policies continued

Trade receivables

Trade receivables are recognised initially at fair values, 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.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, the Group is committed to the sale and it is expected to be completed within one year from the date of classification. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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. Translation differences on monetary items are recognised in the income statement with the exception of differences on transactions that are subject to effective cash flow or net investment hedges.

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.

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.

Derivative financial instruments

Derivative financial instruments are recognised at fair value at inception and are subsequently re-measured at their fair value by reference to quoted market values for similar instruments at the balance sheet date. Derivative financial instruments are classified as non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months from the balance sheet date.

The recognition of the resulting gain or loss depends on whether hedge accounting is permitted. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are recognised immediately in the income statement.

In order to apply hedge accounting, the Group designates certain derivatives as:

- Cash flow hedges: hedges of highly probable forecast transactions; or
- Net investment hedges: hedges of net investments in foreign operations.

The Group documents the relationship between the hedging instruments and hedged items at the hedge inception, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Cash flow hedges

Forward foreign currency contracts that are in place to hedge future transactions are designated as cash flow hedges. The effective element of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedges

Any gain or loss on the hedging instrument relating to the effective portion of the hedge of a net investment in a foreign operation is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

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.

Other borrowings are classified as current financial liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

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

Borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs are expensed in the period in which they are incurred, except for issue costs, which are amortised over the period of the borrowing. Commitment fees on borrowings not drawn down are expensed in the period in which they are incurred.

Share-based payment

The Group operates a number of equity-settled employee sharesave schemes. 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 such schemes, 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. No further charge is recognised from the point when an employee ceases saving and withdraws from the sharesave scheme.

The fair value of the employee services received under such schemes 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 ten 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. Own shares are held in treasury and recorded in shareholders' equity.

Revenue

Revenue, which excludes value added tax and sales between group companies, represents the invoiced value of goods and services supplied.

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.

Where the Group operates a customer loyalty scheme, such as the redemption of loyalty card points, revenue is adjusted to show sales net of all related discounts. A provision is recognised based on the fair value of expected free goods given to customers. The fair value is measured as the retail value to the customer.

Royalty income

Royalty income is recognised by spreading the guarantees and advances receivable over the term of the licence agreement, and recognising all other income receivable by reference to the underlying licensee performance, after allowing for expected returns and price protection claims.

Segment reporting

The primary reporting segments are the main geographic areas in which the Group operates. These are Continental Europe, the United Kingdom, North America and Asia Pacific. The geographical segments identified engage in providing products to customers within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. Manufacturing income, expenses, assets and liabilities are allocated to the specific segments on the basis of the profits earned on internal sales to each geographical area.

Our vertically integrated manufacturing and supply function is dedicated to the supply of products to the sales function. We consider that the risks and rewards of each function are similar, and that the Group has a single reporting segment, the Games Workshop Hobby.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantially 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.

2. Summary of significant accounting policies continued

Impairment of assets

Assets that have an indefinite useful economic life are not subject to amortisation but 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.

Provision is made for committed costs outstanding under onerous or vacant property leases. The estimated liability is discounted at the Group's cost of external debt.

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 role will become redundant.

Exceptional items

Costs which are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items.

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, 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, 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.

New accounting standards

Changes to accounting standards and interpretations and their likely impact on the Group's future accounting policies are set out below:

a. Standards, amendments and interpretations effective in the year ended 31 May 2009

There are no new standards, amendments or interpretations for the current financial year which impact the Group.

b. Interpretations effective in the year ended 31 May 2009 but not relevant to the Group

The following interpretations to published standards are mandatory for adoption in the year ended 31 May 2009 but they are not relevant to the Group's operations:

- IFRIC 14 'IAS 19 - the limit on a defined benefit asset, minimum funding requirements and their interaction' is not relevant to the Group's operations as the Group does not operate or participate in a defined benefit pension scheme.
- IFRIC 11 'IFRS 2 - Group and treasury share transactions' provides guidance on share-based transactions involving treasury shares. It does not have an impact on the Group's financial statements.

c. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of signing of these financial statements the following standards, amendments and interpretations to existing standards have been published but are not effective for the periods presented and the Group has chosen not to early adopt:

- IFRS 8 'Operating segments' (effective for years beginning on or after 1 January 2009). This standard replaces IAS 14 'Segment reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed, however, this standard concerns disclosure only and will have no effect on the Group's reported results. As goodwill is allocated to groups of cash-generating units based on segment level, the new standard may result in a reallocation of goodwill to any new segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.
- Amendment to IFRS 2 'Share-based payments' (effective for years beginning on or after 1 January 2009). The amendment specifies that all cancellations under the Group's sharesave scheme will require the immediate recognition of the unamortised costs of the associated options. The Group is currently reviewing the impact this standard has on the Group's financial statements.
- Revised IFRS 3 'Business combinations' (effective for business combinations in years beginning on or after 1 July 2009). This amendment may impact the Group's accounting for future business combinations.
- IFRIC 13 'Customer loyalty programmes' (effective for years beginning on or after 1 July 2008). The current accounting policy for loyalty schemes is detailed in the Revenue section above. This does not currently comply with IFRIC 13 but the change is not expected to materially impact the Group's results.
- IFRIC 16 'Hedges of a net investment in a foreign operation' (effective for years beginning on or after 1 October 2008). The interpretation clarifies the accounting for net investment hedging and is not expected to impact on the Group's reported results.
- Amendment to IAS 38 'Intangible Assets' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. It is not expected to have an impact on the Group's financial statements.

d. Interpretations and amendments to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published but are not relevant to the Group's operations:

- Revised IAS 1 'Presentation of financial statements' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. These revised presentation and disclosure requirements are not anticipated to have an impact on the Group's reported results.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

- Amendment to IAS 36 'Impairment of assets' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use calculations should be made. It is not expected to have an impact on the Group's result.
- Amendment to IFRS 5 'Non current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First time adoption') (effective for years beginning on or after 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. A consequential amendment to IFRS 1 states these amendments are applied prospectively to all partial disposals of subsidiaries from 31 May 2010. This amendment is currently not applicable to the Group because there have been no partial disposals of subsidiaries since the date of transition to IFRS.
- Amendment to IAS 23, 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method in IAS 39 'Financial instruments: recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group and Company will apply the IAS 23 (amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.
- Amendment to IAS 39 'Financial instruments : recognition and measurement' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit and loss category where a derivative commences or ceases to qualify as a hedging instrument. The definition of financial asset or financial liability at fair value through profit and loss, as it relates to items that are held for trading is also amended. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cited a segment as an example of a reporting entity. It is not expected to have an impact on the Group's results.
- Amendment to IAS 32 'Financial instruments : presentation', and IAS 1 'Presentation of financial statements' - 'puttable financial instruments and obligations arising on liquidation' (both effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It is not expected to have an impact on the Group's results.
- IFRIC 12 'Service concession arrangements' (effective for years beginning on or after 30 March 2009). IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.
- IFRIC 15 'Agreements for the construction of real estate' (effective for years beginning on or after 1 January 2009). As the Group is not involved in the construction of real estate, the IFRIC is not relevant.
- IFRIC 17 'Distributions of non-cash assets to owners' (effective for years beginning on or after 1 July 2009) is not relevant to the Group because the Group does not make non-cash distributions to its owners.
- IFRIC 18 'Transfers of assets from customers' (effective for years beginning on or after 1 July 2009) is not relevant to the Group because the Group does not partake in transfers of assets from customers.
- Amendment to IAS 16 'Property, plant, and equipment' (and consequential amendment to IAS 7 'Statement of cash flows') (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment is not relevant to the Group because the Group's ordinary activities do not comprise renting and selling assets.
- Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' on the 'cost of an investment in a subsidiary, jointly controlled entity or associate'. This amendment allows first time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure initial cost of investment.
- Amendment to IAS 28 'Investments in associates' (and consequential amendments to IAS 32 'Financial Instruments : Presentation' and IFRS 7 'Financial Instruments : Disclosures') (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment is not relevant to the Group as it holds no investments in associates.
- Amendment to IAS 29 'Financial reporting in hyperinflationary economies' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment will not impact on the Group's operations as none of the Group's subsidiaries operate in hyperinflationary economies.
- Amendment to IAS 31 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective for years beginning on or after January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment will not have a impact on the Group's operations as there are no interests held in joint ventures.
- Amendment to IAS 40 'Investment property' (and consequentially amendments to IAS 16) (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment will not have an impact on the Group's operations as no investment properties are held.
- Amendment to IAS 41 'Agriculture' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment will not have an impact on the Group as no agricultural activities are undertaken.
- Amendment to IAS 19 'Employee benefits' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment will not have an impact on the Group's financial statements as it does not operate a defined benefit pension scheme.
- Amendment to IAS 20 'Accounting for government grants and disclosure of government assistance' (effective for years beginning on or after January 2009). The amendment will not have an impact on the Group's financial statements as there are no loss received or other grants from the government.
- Amendment to IAS 27 'Consolidated and separate financial statements' (effective for years beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment will not have an impact on the Group's operations because it's the Group's policy for an investment in a subsidiary to be recorded at cost.
- IAS 23 (Revised) 'Borrowing costs' (effective for years beginning on or after 1 January 2009). The amendment concerns the capitalisation of borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This amendment is currently not applicable to the Group as there are no qualifying assets.
- Amendment to IAS 39, 'Financial instruments: recognition and measurement', and IFRS 7, 'Financial instruments: disclosures', on the 'Reclassification of financial assets'. This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. It is not expected to have an impact on the Group's financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments : disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10 'Events after the reporting period', and IAS 18, 'Revenue'. These amendments are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Group's financial statements.

3. Segmental analysis

The Group has one business segment, the Games Workshop Hobby. Geographical segments represent the dominant source and nature of the Group's risks and returns and are therefore provided below as the primary reporting format.

Year ended 31 May 2009	Continental Europe £000	United Kingdom £000	North America £000	Asia Pacific £000	Rest of the world £000	Central/ unallocated £000	Service centres £000	Design and development £000	Royalty income £000	Group £000
Continuing operations										
Sales by operation	42,340	46,537	27,152	9,677	-	-	-	-	-	125,706
Inter-segment sales	5,237	(12,884)	6,235	1,052	360	-	-	-	-	-
Sales by location of customers	**47,577**	**33,653**	**33,387**	**10,729**	**360**	**-**	**-**	**-**	**-**	**125,706**
Operating profit/segment result by location of customers	**8,896**	**8,995**	**822**	**778**	**85**	**(6,032)**	**(4,941)**	**(3,060)**	**3,471**	**9,014**
Finance income	-	-	-	-	-	333	-	-	-	333
Finance costs	-	-	-	-	-	(1,808)	-	-	-	(1,808)
Income tax expense	-	-	-	-	-	(2,107)	-	-	-	(2,107)
Profit/(loss) for the year-continuing operations	**8,896**	**8,995**	**822**	**778**	**85**	**(9,614)**	**(4,941)**	**(3,060)**	**3,471**	**5,432**
Discontinued operations										
Profit for the year-discontinued operations	**-**	**-**	**118**	**-**	**-**	**-**	**-**	**-**	**-**	**118**
Profit/(loss) attributable to equity shareholders	**8,896**	**8,995**	**940**	**778**	**85**	**(9,614)**	**(4,941)**	**(3,060)**	**3,471**	**5,550**
Gross assets and liabilities by location of customers:										
Continuing										
Assets	19,812	21,805	9,030	4,937	-	11,896	-	2,652	-	70,132
Liabilities	(4,200)	(7,744)	(3,018)	(4,656)	-	(12,523)	-	-	-	(32,141)
Net assets/(liabilities) by location of customers	**15,612**	**14,061**	**6,012**	**281**	**-**	**(627)**	**-**	**2,652**	**-**	**37,991**
Capital expenditure by location of customers	2,478	1,831	1,703	668	-	-	-	2,249	-	8,929
Depreciation and amortisation by location of customers	(3,411)	(2,689)	(1,518)	(718)	-	-	-	(2,269)	-	(10,605)
Impairment of property, plant and equipment	-	-	(91)	(76)	-	-	-	-	-	(167)
Impairment of trade receivables	(63)	(161)	(49)	(49)	-	-	-	-	-	(322)
Share-based payments	(11)	(138)	(7)	(5)	-	-	-	-	-	(161)
Gross assets and liabilities by location of operation:										
Continuing										
Assets	4,525	38,940	7,894	4,225	-	11,896	-	2,652	-	70,132
Liabilities	(1,281)	(10,090)	(3,906)	(4,341)	-	(12,523)	-	-	-	(32,141)
Net assets/(liabilities) by location of operation	**3,244**	**28,850**	**3,988**	**(116)**	**-**	**(627)**	**-**	**2,652**	**-**	**37,991**
Capital expenditure by location of operation	593	3,986	1,379	722	-	-	-	2,249	-	8,929
Depreciation and amortisation by location of operation	(858)	(5,826)	(1,112)	(540)	-	-	-	(2,269)	-	(10,605)
Impairment of property, plant and equipment	-	-	(91)	(76)	-	-	-	-	-	(167)
Impairment of trade receivables	(63)	(161)	(49)	(49)	-	-	-	-	-	(322)
Share-based payments	(11)	(138)	(7)	(5)	-	-	-	-	-	(161)

Service centres are established in the UK which provide support services (IT, accounting, payroll, HR, production planning and supplier development) to activities across the Group. The related costs are separately identified as service centre costs to aid transparency.

Central/unallocated, service centres, design and development and royalty income segment (costs)/income comprise the (costs)/income arising in the United Kingdom that cannot be directly attributed to an individual geographical segment.

3. Segmental analysis continued

Year ended 1 June 2008	Continental Europe £000	United Kingdom £000	North America £000	Asia Pacific £000	Rest of the world £000	Central/ unallocated £000	Service centres £000	Design and development £000	Royalty income £000	Group £000
Continuing operations										
Sales by operation	41,139	36,760	24,011	8,435	-	-	-	-	-	110,345
Inter-segment sales	1,952	(5,704)	2,833	645	274	-	-	-	-	-
Sales by location of customers	43,091	31,056	26,844	9,080	274	-	-	-	-	110,345
Pre-exceptional operating profit/segment result by location of customers	7,648	7,338	610	207	110	(5,235)	(4,532)	(2,965)	1,736	4,917
Exceptional items	(382)	(1,453)	(568)	2	-	-	-	36	-	(2,365)
Operating profit/segment result by location of customers	7,266	5,885	42	209	110	(5,235)	(4,532)	(2,929)	1,736	2,552
Finance income	-	-	-	-	-	425	-	-	-	425
Finance costs	-	-	-	-	-	(1,918)	-	-	-	(1,918)
Income tax expense	-	-	-	-	-	(613)	-	-	-	(613)
Profit/(loss) for the year - continuing operations	7,266	5,885	42	209	110	(7,341)	(4,532)	(2,929)	1,736	446
Discontinued operations										
Profit/(loss) for the year - discontinued operations	90	3	(1,114)	30	-	-	-	(195)	-	(1,186)
Profit/(loss) attributable to equity shareholders	7,356	5,888	(1,072)	239	110	(7,341)	(4,532)	(3,124)	1,736	(740)
Gross assets and liabilities by location of customers:										
Continuing										
Assets	21,206	20,053	8,750	4,407	-	10,399	-	2,672	-	67,487
Liabilities	(5,916)	(6,906)	(2,801)	(2,462)	-	(19,876)	-	-	-	(37,961)
Net assets by location of customers	15,290	13,147	5,949	1,945	-	(9,477)	-	2,672	-	29,526
Capital expenditure by location of customers	3,271	2,338	1,177	627	-	-	-	2,266	-	9,679
Depreciation and amortisation by location of customers	(3,185)	(2,132)	(1,537)	(677)	-	-	-	(2,236)	-	(9,767)
Impairment of property, plant and equipment	(7)	12	47	-	-	-	-	-	-	52
Impairment of trade receivables	(78)	(376)	(88)	(27)	-	-	-	-	-	(569)
Share-based payments	(10)	(112)	(8)	(5)	-	-	-	-	-	(135)
Gross assets and liabilities by location of operation:										
Continuing										
Assets	4,558	41,182	5,780	2,896	-	10,399	-	2,672	-	67,487
Liabilities	(4,351)	(8,736)	(2,433)	(2,565)	-	(19,876)	-	-	-	(37,961)
Net assets by location of operation	207	32,446	3,347	331	-	(9,477)	-	2,672		29,526
Capital expenditure by location of operation	528	5,818	685	382	-	-	-	2,266	-	9,679
Depreciation and amortisation by location of operation	(868)	(5,087)	(1,131)	(445)	-	-	-	(2,236)	-	(9,767)
Impairment of property, plant and equipment	(7)	12	47	-	-	-	-	-	-	52
Impairment of trade receivables	(78)	(376)	(88)	(27)	-	-	-	-	-	(569)
Share-based payments	(10)	(112)	(8)	(5)	-	-	-	-	-	(135)

3. Segmental analysis continued

Central/unallocated assets and liabilities consist of the following:

	2009 £000	2008 £000
Cash and cash equivalents	**10,355**	7,723
Deferred tax assets	**4,704**	3,005
Current tax assets	**32**	854
Central/eliminations	**(3,195)**	(1,183)
Gross assets	**11,896**	10,399
Current tax liabilities	**(2,233)**	(222)
Bank loans and overdrafts	**(12,000)**	(17,779)
Central/eliminations	**1,710**	(1,875)
Net liabilities	**(627)**	(9,477)

4. Operating expenses

	2009 £000	2008 £000
Continuing operations		
Selling costs	**50,479**	44,468
Administrative expenses	**30,705**	28,401
Design and development costs - amortisation	**2,269**	2,236
Design and development costs - not capitalised	**791**	693
	84,244	75,798

5. Exceptional items

Exceptional costs of £2,365,000 were incurred in the year ended 1 June 2008 in respect of the cost reduction programme announced in May 2007. As part of this programme the following costs were incurred in the year ended 1 June 2008: £250,000 in closing loss making Hobby centres, £1,065,000 in rationalising the manufacturing and supply chain and £1,050,000 in simplifying the support infrastructure. £835,000, £619,000, £947,000 and £(36,000) was charged/(credited) to cost of sales, selling costs, administrative costs and design and development costs respectively. Costs incurred in the year ended 31 May 2009 in respect of ongoing redundancies, impairments and loss making hobby centres are set out in note 9.

6. Directors and employees

	2009 £000	2008 £000
Total directors and employees costs:		
Wages and salaries	**44,661**	43,136
Social security costs	**5,359**	5,256
Other pension costs	**1,243**	1,028
Share-based payments	**161**	135
	51,424	49,555

Details of capitalised salary costs, included in the above, are provided in note 15. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 9.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Directors and employees continued

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'.

	2009 £000	2008 £000
Salaries and other short-term employee benefits	**1,049**	1,131
Post-employment benefits	**88**	95
Share-based payments	**1**	-
Termination benefits - compensation for loss of office	**342**	126
Other employee benefits	**17**	20
	1,497	1,372

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 18 to 20.

Key management are the directors of the Company, the head of operations and, for the year ended 1 June 2008 the head of sales until 1 December 2007.

Employee numbers

Monthly average number of employees by activity:	**2009 Number**	2008 Number
Design and development	**80**	77
Production	**200**	204
Selling:		
- Full time	**1,260**	1,342
- Part time	**347**	340
Administration	**398**	380
	2,285	2,343

7. Finance income

	2009 £000	2008 £000
Interest income:		
- On cash and cash equivalents	**321**	418
- Interest on deferred consideration	**12**	7
	333	425

8. Finance costs

	2009 £000	2008 £000
Interest expense:		
- Bank loans and overdrafts	**1,201**	1,644
- Finance lease charges	**1**	2
- Unwinding of discount on provisions	**72**	30
- Accrual for interest on potential tax liability	**400**	-
- Fair value loss on interest rate cap	**24**	-
Net foreign exchange losses on financing activities	**110**	242
	1,808	1,918

9. Profit before taxation

	2009 £000	2008 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	**7,044**	6,769
- Property, plant and equipment under finance leases	**11**	9
Impairment of property, plant and equipment	**167**	(52)
Amortisation:		
- Owned computer software	**1,281**	753
- Development costs	**2,269**	2,236
Non-capitalised development costs	**791**	693
Impairment of trade receivables	**322**	569
Operating leases:		
- Hobby centres	**9,656**	8,212
- Other property	**1,566**	1,273
- Plant and equipment	**157**	171
- Other	**264**	297
Staff costs (excluding capitalised salary costs and non-capitalised development costs as above)	**48,615**	46,581
Cost of inventories included in cost of sales	**20,800**	19,800
Loss on disposal of property, plant and equipment	**-**	210
Loss on disposal of intangible assets	**39**	-
Profit on disposal of assets held for sale	**(36)**	-
Redundancy costs and compensation for loss of office	**1,370**	1,239
Charge/(credit) to property provisions for closed or loss making hobby centres	**807**	(101)

Auditors' remuneration and services provided

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

	2009 £000	2008 £000
Audit services		
Audit of the Group and Company's accounts	**64**	62
Other services		
The audit of the Company's subsidiaries pursuant to legislation	**223**	263
Other services relating to taxation	**3**	8
All other services	**11**	9
Total services provided	**301**	342

10. Income tax expense

Continuing operations	2009 £000	2008 £000
Current UK taxation:		
- UK corporation tax on profits for the year	**2,314**	31
- (Over)/under provision in respect of prior years	**(5)**	25
	2,309	56
Current overseas taxation:		
- Overseas corporation tax on profits for the year	**1,426**	845
- Under/(over) provision in respect of prior years	**54**	(26)
Total current taxation	**3,789**	875
Deferred taxation:		
- Origination and reversal of timing differences	**(1,481)**	(586)
- (Over)/under provision in respect of prior years	**(201)**	324
Tax expense recognised in the income statement	**2,107**	613

10. Income tax expense continued

	2009 £000	2008 £000
Current tax credit on net investment hedge	**(174)**	-
Deferred tax charge/(credit) on cash flow hedges	**232**	(237)
Charge/(credit) taken directly to the statement of recognised income and expense	**58**	(237)

Continuing operations	2009 £000	2008 £000
Profit before taxation	**7,539**	1,059
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	**2,111**	318
Effects of:		
Expenses not deductible for tax purposes	**1,351**	156
Recognition of asset held for sale	**-**	(148)
Movement in deferred tax not recognised	**(85)**	(79)
Deferred tax on losses now recognised	**(2,489)**	(400)
Changes in tax rates	**-**	95
Higher tax rates on overseas earnings	**370**	348
Adjustments to tax charge in respect of previous years	**(152)**	323
Abolition of industrial buildings allowances	**1,001**	-
Total tax charge for the year	**2,107**	613

On 1 April 2008, the standard rate of corporation tax in the UK decreased from 30% to 28%.

11. Discontinued operations

On 14 February 2008, the Group disposed of the trading activities of Sabertooth Games Inc., a collectible card game business, and entered into a licensing agreement for the publishing of board games, card games and role-playing games with Fantasy Flight Games Inc.
These collectible card game operations, which were previously treated as a separate cash-generating unit due to their non-core nature, have been classified as discontinued.
The tables below show the results of the discontinued operations included in the results of the Group in both years:

Income statement	2009 £000	2008 £000
Revenue	**-**	1,308
Cost of sales	**-**	(514)
Gross profit	**-**	794
Operating expenses	**129**	(1,900)
Operating profit/(loss)	**129**	(1,106)
Income tax expense	**(11)**	(80)
Profit/(loss) for the year	**118**	(1,186)

Exceptional costs of £1,192,000 were incurred in the year ended 1 June 2008 in respect of discontinued operations and are included within operating expenses.

Cash flow statement

	2009 £000	2008 £000
Cash flows from operating activities	**-**	491
Cash flows from investing activities	**327**	(167)
Net increase in cash and cash equivalents	**327**	324

The table below shows the net assets disposed of in the year to 1 June 2008 and the consideration received:

	2009 £000	2008 £000
Goodwill	**-**	(922)
Inventories	**-**	(139)
Trade and other receivables	**-**	(255)
Assets disposed of	**-**	(1,316)
Consideration receivable	**129**	198
Profit/(loss) on disposal	**129**	(1,118)

During the year ended 31 May 2009, a provision of £129,000 held against the consideration receivable was released following receipt of the payment. In the year ended 1 June 2008 this provision was included in the exceptional costs detailed above.

12. Earnings/(loss) per share

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2009	2008
Profit/(loss) attributable to equity shareholders (£000)		
Continuing operations	**5,432**	446
Discontinued operations	**118**	(1,186)
Total	**5,550**	(740)
Weighted average number of ordinary shares in issue (thousands)	**31,129**	31,123
Basic earnings per share (pence per share) - continuing operations	**17.4**	1.4
Basic earnings/(loss) per share (pence per share) - discontinued operations	**0.4**	(3.8)
Basic earnings/(loss) per share (pence per share)	**17.8**	(2.4)

Diluted earnings/(loss) per share

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

	2009	2008
Profit/(loss) attributable to equity shareholders (£000)		
Continuing operations	**5,432**	446
Discontinued operations	**118**	(1,186)
Total	**5,550**	(740)
Weighted average number of ordinary shares in issue (thousands)	**31,129**	31,123
Adjustment for share options (thousands)	**17**	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**31,146**	31,123
Diluted earnings per share (pence per share) - continuing operations	**17.4**	1.4
Diluted earnings/(loss) per share (pence per share) - discontinued operations	**0.4**	(3.8)
Diluted earnings/(loss) per share (pence per share)	**17.8**	(2.4)

13. Dividends per share

No dividends were paid in either 2008 or 2009.

14. Goodwill

	Group £000
Cost	
At 4 June 2007	2,390
Disposal - see note 11	(922)
Exchange adjustments	(35)
At 1 June 2008 and 31 May 2009	1,433
Net book amount at 1 June 2008 and 31 May 2009	**1,433**

The Company had no goodwill at either year end.

Goodwill of £1,159,000 (2008: £1,159,000) arising before 31 May 1998 is fully written off to reserves.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Goodwill continued

Impairment tests for goodwill

The goodwill at 31 May 2009 and 1 June 2008 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 year 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 budgets approved by management covering a five year period, with growth no higher than past experience and after consideration of all available information. Growth after this five year period is in line with historic GDP. The estimated future cash flows expected to arise from the continuing use of the assets use pre-tax discount rates of 6.6% (2008: 9%).

Management determined the budgeted sales growth and gross margin based 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, identified according to country of operation. All of the current goodwill arises in the United Kingdom.

15. Other intangible assets

Group	Computer software £000	Development costs £000	Total £000
Cost			
At 4 June 2007	5,303	9,636	14,939
Additions	1,822	2,266	4,088
Exchange differences	147	(15)	132
Disposals	(281)	(1,113)	(1,394)
At 1 June 2008 and 2 June 2008	6,991	10,774	17,765
Additions	1,029	2,249	3,278
Exchange differences	270	-	270
Disposals	(118)	-	(118)
Reclassifications	213	-	213
At 31 May 2009	**8,385**	**13,023**	**21,408**
Amortisation			
At 4 June 2007	(2,982)	(6,994)	(9,976)
Amortisation charge	(753)	(2,236)	(2,989)
Exchange differences	(106)	15	(91)
Disposals	237	1,113	1,350
At 1 June 2008 and 2 June 2008	(3,604)	(8,102)	(11,706)
Amortisation charge	(1,281)	(2,269)	(3,550)
Exchange differences	(241)	-	(241)
Disposals	79	-	79
Reclassifications	(179)	-	(179)
At 31 May 2009	**(5,226)**	**(10,371)**	**(15,597)**
Net book amount			
At 1 June 2008	3,387	2,672	6,059
At 31 May 2009	**3,159**	**2,652**	**5,811**

Amortisation of £300,000 (2008: £334,000) has been charged in cost of sales and £3,250,000 (2008: £2,655,000) in operating expenses.

The net book amount of internally generated intangible assets is £3,065,000 (2008: £2,985,000) and acquired intangible assets is £2,746,000 (2008: £3,074,000). All development costs are internally generated and £1,955,000 (2008: £1,969,000) is capitalised salary costs.

Salary costs of £63,000 (2008: £312,000) were capitalised in the year as part of computer software.

Assets in the course of construction, and not depreciated, amount to £211,000 (2008: £nil). These are included within computer software above.

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

16. Property, plant and equipment

Group	Freehold land and buildings £000	Plant & equipment and vehicles £000	Fixtures and fittings £000	Moulding tools £000	Total £000
Cost					
At 4 June 2007	15,017	15,996	21,392	15,362	67,767
Additions	15	1,549	1,816	2,211	5,591
Exchange differences	-	385	1,163	(3)	1,545
Disposals	-	(1,409)	(2,900)	(238)	(4,547)
Reclassifications	(641)	26	(5)	(18)	(638)
At 1 June 2008 and 2 June 2008	14,391	16,547	21,466	17,314	69,718
Additions	26	935	2,151	2,539	5,651
Exchange differences	-	857	1,786	160	2,803
Disposals	-	(752)	(3,258)	-	(4,010)
Reclassifications	-	(151)	(62)	-	(213)
At 31 May 2009	**14,417**	**17,436**	**22,083**	**20,013**	**73,949**
Depreciation					
At 4 June 2007	(2,354)	(10,883)	(15,747)	(10,797)	(39,781)
Exchange differences	-	(339)	(912)	1	(1,250)
Charge for the year	(441)	(2,143)	(2,445)	(1,749)	(6,778)
Impairment	-	(7)	59	-	52
Disposals	-	1,382	2,736	169	4,287
Reclassifications	179	(22)	-	17	174
At 1 June 2008 and 2 June 2008	(2,616)	(12,012)	(16,309)	(12,359)	(43,296)
Exchange differences	-	(656)	(1,389)	(133)	(2,178)
Charge for the year	(446)	(1,839)	(2,532)	(2,238)	(7,055)
Impairment	-	-	(167)	-	(167)
Disposals	-	710	3,238	-	3,948
Reclassifications	-	150	29	-	179
At 31 May 2009	**(3,062)**	**(13,647)**	**(17,130)**	**(14,730)**	**(48,569)**
Net book amount					
At 1 June 2008	11,775	4,535	5,157	4,955	26,422
At 31 May 2009	**11,355**	**3,789**	**4,953**	**5,283**	**25,380**

Depreciation expense of £3,743,000 (2008: £3,342,000) has been charged in cost of sales, £2,528,000 (2008: £2,154,000) in selling costs, £903,000 (2008: £1,172,000) in administrative expenses and £48,000 (2008: £58,000) in design and development costs.

The cost of property, plant and equipment includes plant and equipment and vehicles of £55,000 (2008: £55,000) in respect of assets held under finance leases. The depreciation charged on these assets was £11,000 (2008: £9,000). The net book amount of these assets is £2,000 (2008: £10,000).

Freehold land amounting to £3,836,000 (2008: £3,836,000) has not been depreciated.

Following the closure of the tool making facility at Wisbech, UK, the related freehold land and buildings of £464,000 (£219,000 of which related to freehold land) were reclassified from property, plant and equipment to assets held for sale during the year to 1 June 2008. No gain or loss was recognised on reclassification to current assets. The Wisbech facility was sold in July 2008 for a consideration of £500,000.

Assets in the course of construction, and not depreciated, amount to £573,000 (2008: £371,000). These are included in moulding tools above.

The impairment loss in the year relates to fixtures and fittings within loss making hobby centres. The reversal of impairment losses in the year ended 1 June 2008 relates to the fixtures and fittings within hobby centres which were previously loss making but have subsequently become profitable.

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

NOTES TO THE FINANCIAL STATEMENTS continued

17. Investments in subsidiaries

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Shares in group undertakings - cost				
Subsidiary undertakings - equity	**-**	-	**30,281**	30,281

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:

			Proportion of nominal value of issued shares held by:		
Name of undertaking	Country of incorporation or registration	Description of shares held	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 America Inc.	United States of America	$1 common stock		100%	Distributor and retailer of games and miniatures
		$100,000 preferred stock	100%		
Games Workshop Retail Inc.	United States of America	$1 common stock		100%	Distributor and retailer of games and miniatures
Games Workshop US Manufacturing LLC	United States of America	Owners capital		100%	Manufacturer and distributor 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

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 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.

18. 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	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Deferred tax assets:				
- Deferred tax asset to be recovered after more than 12 months	**1,302**	1,758	**4**	5
- Deferred tax asset to be recovered within 12 months	**3,402**	1,247	**19**	25
	4,704	3,005	**23**	30

The gross movement on the deferred tax account is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Beginning of year	**3,005**	2,314	**30**	61
Exchange differences	**260**	272	**-**	-
Income statement credit/(charge)	**1,671**	182	**(7)**	(31)
(Charged)/credited to hedging reserve	**(232)**	237	**-**	-
End of year	**4,704**	3,005	**23**	30

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 4 June 2007	1,439	(708)	618	965	2,314
Credited/(charged) to the income statement	170	(40)	248	(196)	182
Credited to equity	-	-	-	237	237
Exchange differences	124	-	77	71	272
At 1 June 2008	1,733	(748)	943	1,077	3,005
(Charged)/credited to the income statement	(623)	5	2,154	135	1,671
Charged to equity	-	-	-	(232)	(232)
Exchange differences	74	-	174	12	260
At 31 May 2009	**1,184**	**(743)**	**3,271**	**992**	**4,704**

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. The Group has not recognised deferred income tax assets of £5,600,000 (2008: £7,500,000) in respect of losses amounting to £8,500,000 (2008: £14,700,000) and other temporary differences of £6,900,000 (2008: £5,400,000) due to the uncertainty at the balance sheet date as to their recovery. The losses can be carried forward against future taxable income. Losses amounting to £1,000,000 will expire during the years 2026 to 2028, £5,200,000 will expire during the years 2022 to 2027, £1,800,000 will expire during the years 2021 to 2023 and £500,000 will expire during 2010 to 2013.

The Group obtained a current tax benefit of £489,000 (2008: £nil) from previously unrecognised tax losses.

The Group recognised a reduction in deferred tax assets of £101,000 in the year ended 1 June 2008 in relation to changes in tax rates.

Company	Accelerated depreciation £000	Other £000	Total £000
At 4 June 2007	6	55	61
Charged to the income statement	(1)	(30)	(31)
At 1 June 2008	5	25	30
Charged to the income statement	(1)	(6)	(7)
At 31 May 2009	**4**	**19**	**23**

NOTES TO THE FINANCIAL STATEMENTS continued

19. Inventories

Group	2009 £000	2008 £000
Raw materials	**2,445**	830
Work in progress	**865**	781
Finished goods and goods for resale	**7,368**	8,781
	10,678	10,392

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 year, the Group utilised a provision against stock impairment of £826,000. Additional provision of £432,000 has been charged to the income statement during the year.

There were no material releases of inventory provisions to the income statement in either year.

The Company holds no inventories at either year end.

20. Trade and other receivables

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Trade receivables	**8,494**	7,317	**-**	-
Less provision for impairment of receivables	**(1,299)**	(1,219)	**-**	-
Trade receivables - net	**7,195**	6,098	**-**	-
Prepayments and accrued income	**2,859**	2,978	**36**	53
Other receivables	**1,475**	2,028	**-**	16
Receivables from related parties	**-**	-	**2,831**	1,122
Loans to related parties	**-**	-	**16,624**	16,090
Total trade and other receivables	**11,529**	11,104	**19,491**	17,281
Non-current receivables:				
Trade receivables	**75**	76	**-**	-
Less provision for impairment of receivables	**(75)**	(76)	**-**	-
Trade receivables - net	**-**	-	**-**	-
Prepayments and accrued income	**391**	354	**-**	-
Other receivables	**1,179**	880	**-**	-
Loans to related parties	**-**	-	**15,456**	15,015
Non-current portion	**1,570**	1,234	**15,456**	15,015
Current portion	**9,959**	9,870	**4,035**	2,266

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 rates on non-current loans to related parties is charged at LIBOR plus 1% in both years.

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.

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

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:

	2009			2008		
	Not impaired £000	**Impaired £000**	**Total £000**	Not impaired £000	Impaired £000	Total £000
Up to 3 months past due	**552**	**104**	**656**	538	264	802
3 to 12 months past due	**157**	**392**	**549**	159	535	694
Over 12 months past due	**13**	**389**	**402**	-	311	311
	722	**885**	**1,607**	697	1,110	1,807

In addition to the above, current debt of £414,000 (2008: £109,000) has been impaired.

20. 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 4 June 2007	634
Charge for the year	569
Receivables written off during the year as uncollectible	(34)
Exchange differences	50
At 1 June 2008	1,219
Charge for the year	468
Unused amounts reversed	(146)
Receivables written off during the year as uncollectible	(307)
Exchange differences	65
At 31 May 2009	**1,299**

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

	2009 £000	2008 £000
Sterling	**3,414**	3,332
Euro	**3,820**	4,267
US dollar	**2,455**	1,725
Other currencies	**1,840**	1,780
Total trade and other receivables	**11,529**	11,104

21. Cash and cash equivalents

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Cash and cash equivalents	**9,274**	7,178	**-**	4,643
Short-term bank deposits	**1,081**	545	**-**	-
	10,355	7,723	**-**	4,643

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 1 day.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement (see analysis of net debt, note 32):

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Cash and cash equivalents	**10,355**	7,723	**-**	4,643
Bank overdrafts	**-**	(2,779)	**(590)**	-
	10,355	4,944	**(590)**	4,643

22. Financial liabilities - borrowings

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Current				
Bank overdrafts	**-**	2,779	**590**	-
Obligations under finance leases	**2**	12	**-**	-
	2	2,791	**590**	-
Non-current				
Bank loans	**12,000**	15,000	**12,000**	15,000
Obligations under finance leases	**-**	1	**-**	-
	12,000	15,001	**12,000**	15,000
Total borrowings	**12,002**	17,792	**12,590**	15,000

At 1 June 2008, the bank overdrafts of the Group of £2,779,000 were denominated in euros and offset euro cash deposits outside of the UK under a pan European notional pooling agreement. The balances were offset for interest calculation purposes with the net balance accruing interest at a floating rate by reference to EuroBid. The use of this pooling arrangement has been discontinued in the current financial year.

Bank loans represent a sterling medium-term revolving credit facility and can be drawn in both sterling and euros. Covenants are based upon interest cover, net debt to pre-exceptional EBITDA ratio and cash flow to interest and dividends ratio. Interest accrues at a floating rate by reference to LIBOR. The bank loans were unsecured during the year ended 1 June 2008 but since July 2008 have been secured on UK assets.

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

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default and accrue interest at a fixed rate of 10% per annum.

The minimum lease payments under finance leases fall due as follows:

	2009	2008
	£000	£000
Within 1 year	**2**	12
Between 1 and 5 years	**-**	3
	2	15
Future finance costs on finance leases	**-**	(2)
Present value of finance lease liabilities	**2**	13

The Company held no finance leases at either year end.

The carrying amounts of the Group's and Company's borrowings are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Sterling	**12,000**	15,000	**14,327**	15,000
Euro	**-**	2,779	**(1,684)**	-
US dollar	**2**	13	**(53)**	-
	12,002	17,792	**12,590**	15,000

22. Financial liabilities - borrowings continued

Undrawn borrowings

The bank borrowing facilities of the Group, drawn and undrawn, are as follows:

		2009				2008			
	Currency	Effective interest rate at 31 May 09	Drawn £000	Undrawn £000	Total £000	Effective interest rate at 1 June 08	Drawn £000	Undrawn £000	Total £000
Committed:									
- Medium-term revolving credit facility	sterling	**6.28%**	**12,000**	**8,000**	**20,000**	7.17%	15,000	-	15,000
			12,000	**8,000**	**20,000**		15,000	-	15,000
Uncommitted:									
- Bank overdraft - working capital facility	sterling	**6.21%**	**-**	**5,000**	**5,000**	6.60%	-	5,000	5,000
- Bank overdraft	euro	**4.66%**	**-**	**-**	**-**	4.83%	2,779	2,221	5,000
Total facilities for the Group			**12,000**	**13,000**	**25,000**		17,779	7,221	25,000

Bank borrowings attract floating rate interest by reference to sterling and euro base rates and LIBOR. The medium-term revolving credit facility is secured, and at the year end was available until 27 July 2010. The terms of the facility allow draw down in both sterling and euros.

Bank overdrafts are secured. During the year ended 1 June 2008, the working capital facility included an additional £5,000,000 seasonal overdraft which ran from 1 August to 31 January with an additional £1,000,000 between 1 November and 31 December.

During the year, the Group increased the revolving credit facility to £20,000,000. The Group also reduced the working capital facility by removing the seasonal facilities of £5,000,000. These facilities are secured on UK assets. Following the year end, the Group has renewed these facilities, and for the next two years (to July 2011) the committed secured revolving credit facility will be £12,000,000 and the uncommitted working capital facility (subject to annual review) will be £4,000,000.

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

23. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Group's financial risk management objective is to reduce the financial risks and exposures facing the business and minimise the potential adverse effects on the Group's financial performance.

The Group undertakes hedging, including the use of foreign currency borrowings, forward foreign currency contracts and interest rate caps, which are entered into under policies approved by the board and monitored by the Group's chief financial officer. These transactions are only undertaken to reduce exposures arising from underlying commercial transactions and at no time are transactions undertaken for speculative reasons.

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 seeks to manage transactional and balance sheet translation currency exposure.

The Group is exposed to foreign exchange risk principally via:

a. Transactional exposure arising from the future sales and purchases that are denominated in a currency other than the functional currency of the transacting company. Transactional exposures that could significantly impact the Group's income statement are hedged using forward currency contracts which are placed from time to time. These are designated as cash flow hedges.

b. Translation exposure arising on investments in foreign operations, where the net assets are denominated in a currency other than sterling. Translation exposure is minimised by matching the average assets of the Group to the equivalent average liabilities in each major currency. In addition, euro investments are hedged via foreign currency borrowings which are formally designated as net investment hedges.

c. Loans to non-UK subsidiaries. These are hedged using foreign currency transactions and borrowings in matching currencies.

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 years.

The following assumptions were made in calculating the sensitivity analysis:

- Financial assets and liabilities (including financial instruments) are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them.
- Changes in the carrying value of derivative financial instruments designated as net investments arising from movements in foreign exchange rates are recorded directly in equity.
- Changes in the carrying value of ineffective derivative financial instruments or those not designated as hedging instruments only affect the Group's income statement.
- Translation of results of overseas subsidiaries is excluded.

NOTES TO THE FINANCIAL STATEMENTS continued

23. Financial risk factors continued

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

	2009		2008	
Group	**Income gain/ (loss) £000**	**Equity gain/ (loss) £000**	Income gain/ (loss) £000	Equity gain/ (loss) £000
5% appreciation of the US dollar	**-**	**18**	-	80
10% appreciation of the euro	**(214)**	**(340)**	(201)	(856)

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

The movements in equity result principally from forward purchases of euros as cash flow hedges. The euro net investment hedge is more than offset by the revaluation in equity of the hedged assets.

Interest rate risk

The Group's interest rate risk primarily arises from the Group's borrowings which are at variable rates and expose the Group to cash flow interest rate risk.

The Group has an exposure to movements in interest rates, primarily in sterling and euros. The board periodically reviews the Group's exposure to interest rate fluctuations taking into consideration financial covenants, refinancing, renewal of existing positions and hedging.

To manage interest rate risk, wherever possible, the Group offsets financial liabilities against financial assets in the same currency. This process is facilitated through interest offset accounts within the UK facility and external borrowings in more than one currency.

The Group manages its sterling cash flow interest rate risk by using an interest rate cap. Such derivatives have the economic effect of partially converting variable rate debt into fixed rate debt by creating an interest rate ceiling to mitigate potential increases in rates. During the year ended 1 June 2008 the Group purchased an amortising interest rate cap for £29,000. This covers the Group's debt as described below:

Period	Amount of debt £000
1 November 07 to 3 November 08	15,000
3 November 08 to 2 November 09	10,000
2 November 09 to 4 May 10	5,000

Interest rate sensitivity

The sensitivity analysis has been prepared for sterling and euro interest rates being the principal currencies in which the Group borrows. The sensitivities shown act as a reasonable benchmark considering the movements in interest rates over the last year.

Interest rate movements on obligations under finance leases, interest rate derivatives, trade receivables, trade payables and other financial instruments not in net debt do not present a material exposure to the Group based on a 4% increase or decrease in sterling interest rates or a 1% increase or decrease in euro interest rates.

The impact on the Group's financial instruments from interest rate volatility is shown in the sensitivity analysis below:

Group	**2009 Increase/ (decrease) in finance costs £000**	2008 Increase/ (decrease) in finance costs £000
4% decrease in sterling interest rates (2008: 1% increase)	**(598)**	194
1% decrease in euro interest rates (2008: 1% increase)	**45**	(31)

A 4% increase in sterling interest rates and a 1% increase in euro interest rates would have an equal and opposite effect to that shown above.

Liquidity risk

Liquidity is managed by maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities.

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, and maintaining debt financing plans.

The seasonal nature of the business necessitates higher levels of working capital in the months between September and January as inventories and trade receivables build up in advance of and during the Christmas period. Consequently, the Group ensures that it has a core level of medium-term funding in place.

Capital risk

The capital structure of the Group consists of net debt (see note 32) and shareholders' equity (see note 30). The Group manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders through an appropriate balance of debt and equity. The capital structure is monitored using the gearing ratio, calculated as net UK debt divided by total capital.

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.

23. Financial risk factors continued

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and debts 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 of strong credit quality, and by ensuring that such positions are monitored regularly. Credit risk on cash, short-term deposits and derivative financial instruments 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 20). 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.

Maturity profile of financial liabilities:

Group	2009 Within 1 year £000	2009 Between 1 and 2 years £000	2009 Between 2 and 5 years £000	2008 Within 1 year £000	2008 Between 1 and 2 years £000	2008 Between 2 and 5 years £000
Bank loans	**-**	**12,359**	**-**	-	-	17,273
Bank overdrafts	**-**	**-**	**-**	2,779	-	-
Finance leases	**2**	**-**	**-**	12	1	-
Trade and other payables	**13,088**	**-**	**-**	13,098	-	-
Gross settled derivative contracts - payments	**9,493**	**-**	**-**	16,699	-	-
Gross settled derivative contracts - receipts	**(9,153)**	**-**	**-**	(15,305)	-	-
	13,430	**12,359**	**-**	17,283	1	17,273

Company	2009 Within 1 year £000	2009 Between 1 and 2 years £000	2009 Between 2 and 5 years £000	2008 Within 1 year £000	2008 Between 1 and 2 years £000	2008 Between 2 and 5 years £000
Bank loans	**-**	**12,359**	**-**	-	-	17,273
Bank overdrafts	**590**	**-**	**-**	-	-	-
Trade and other payables	**319**	**-**	**-**	461	-	-
Payables due to related parties	**2,112**	**-**	**6,337**	4,339	-	1,503
	3,021	**12,359**	**6,337**	4,800	-	18,776

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

24. Derivative financial instruments

Derivatives are used for hedging the exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivatives that are held as hedging instruments are formally designated as hedges as defined in IAS 39.

There is no material impact on the Group's income statement resulting from hedge ineffectiveness.

Recognised fair values of derivative financial instruments

Forward foreign exchange contracts, embedded derivatives and interest rate caps are measured at fair value by reference to year end market values. The full fair values of hedging derivatives are classified as follows:

Group	2009 Current assets £000	2009 Current liabilities £000	2008 Non-current assets £000	2008 Current assets £000	2008 Current liabilities £000
Forward foreign exchange contracts - cash flow hedges	**210**	**(550)**	-	7	(1,401)
Interest rate cap - cash flow hedge	**-**	**-**	14	10	-
Total	**210**	**(550)**	14	17	(1,401)

Company	2009 Non-current assets £000	2009 Current assets £000	2008 Non-current assets £000	2008 Current assets £000
Interest rate cap - cash flow hedge	**-**	**-**	14	10

NOTES TO THE FINANCIAL STATEMENTS continued

24. Derivative financial instruments continued

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts and has not identified any embedded derivatives that are required to be separately accounted for.

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments and designated for cash flow hedges at the balance sheet date are:

Group	**2009 £000**	2008 £000
Contracts with positive fair values:		
- Forward foreign currency contracts - cash flow hedges	**210**	7
- Interest rate cap - cash flow hedge	**-**	24
Contracts with negative fair values:		
- Forward foreign currency contracts - cash flow hedges	**(550)**	(1,401)
Net fair values of cash flow hedges	**(340)**	(1,370)

Other than the interest rate cap, the Company held no financial derivatives at either year end.

The net fair value losses in the year ended 31 May 2009 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales (cash flow hedges) are £112,000 (2008: £940,000 loss) and are recognised in the hedging reserve. These will be transferred to the income statement when the forecast sales occur over the next 12 months.

There are no derivatives outstanding at either year end that were designated as fair value hedges.

25. Trade and other payables

	Group		Company	
Current	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Trade payables	**3,480**	4,397	**62**	29
Payables due to related parties	**-**	-	**342**	291
Loans from related parties	**-**	-	**1,770**	4,048
Other taxes and social security	**1,726**	1,961	**39**	61
Other payables	**2,700**	1,617	**56**	103
Accruals	**5,230**	6,181	**164**	296
Deferred income	**956**	1,195	**-**	-
	14,092	15,351	**2,433**	4,828

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

26. Other non-current liabilities

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Accruals	**538**	537	**-**	-
Deferred income	**94**	186	**-**	-
Loans from related parties	**-**	-	**6,337**	1,503
	632	723	**6,337**	1,503

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

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

	2009 £000	2008 £000
Sterling	**5,925**	9,369
Euro	**3,522**	3,023
US dollar	**3,314**	2,190
Other currencies	**1,963**	1,492
Total trade and other payables and non-current liabilities	**14,724**	16,074

27. Provisions

Analysis of total provisions:

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Current	**1,046**	1,155	**10**	86
Non-current	**1,586**	1,317	**2**	2
	2,632	2,472	**12**	88

Group	Redundancy £000	Employee benefits £000	Property £000	Total £000
At 2 June 2008	422	854	1,196	2,472
Charged/(credited) to the income statement:				
- Additional provisions	-	48	874	922
- Unused amounts reversed	(30)	-	(67)	(97)
Exchange differences	22	62	93	177
Discount unwinding (note 8)	-	-	72	72
Utilised	(316)	(96)	(502)	(914)
At 31 May 2009	**98**	**868**	**1,666**	**2,632**

Company	Redundancy £000	Employee benefits £000	Total £000
At 2 June 2008	77	11	88
Charged to the income statement:			
- Additional provisions	-	1	1
Utilised	(77)	-	(77)
At 31 May 2009	**-**	**12**	**12**

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 future employment costs discounted to present values and utilised once an employee reaches 10 years of employment.

Property provisions

Property provisions relate 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 2022. The estimated liability is discounted at the Group's cost of debt of 6.6% (2008: 9%).

Redundancy provisions

Redundancy provisions relate to the costs of redundancy incurred as part of the cost reduction programme announced in 2006/07. The residual provisions are expected to be utilised by the end of 2009/10.

28. Share capital

Group and Company	Number of shares (thousands)	Ordinary shares £000	Share premium account £000	Total £000
At 1 June 2008 and 31 May 2009	**31,129**	**1,556**	**7,822**	**9,378**

During the year no ordinary shares were issued. The total authorised number of shares is 42,000,000 shares (2008: 42,000,000 shares) with a par value of 5p per share (2008: 5p per share). All issued shares are fully paid.

Share options

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

Date granted	No. of shares 2009	2008	Exercise price in pence per share	Exercise dates
24 August 1999	**10,870**	10,870	460p	Aug 2002 to Aug 2009
31 July 2001	**-**	1,274	392.5p	July 2004 to July 2008
18 October 2005	**-**	94,343	340p	Nov 2008 to Apr 2009
25 September 2006	**60,947**	107,416	292.6p	Nov 2009 to Apr 2010
25 September 2006	**3,504**	4,338	304.6p	Nov 2009 to Apr 2010
2 October 2006	**-**	6,097	336p	Nov 2008
1 October 2007	**84,277**	167,655	262.3p	Nov 2010 to Apr 2011
1 October 2007	**1,826**	7,048	220.65p	Nov 2009
29 September 2008	**467,021**	-	191.2p	Nov 2011 to Apr 2012
29 September 2008	**6,382**	-	199.8p	Nov 2011 to Apr 2012
1 October 2008	**11,576**	-	199.7p	Nov 2010
	646,403	399,041		

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

	2009 Approved and unapproved share schemes	2008 Approved and unapproved share schemes	2008 Long-term incentive plan
At start of year	**399,041**	453,835	12,746
Granted	**542,611**	192,355	-
Forfeited	**(295,249)**	(247,149)	-
Exercised	**-**	-	(12,746)
At end of year	**646,403**	399,041	-

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

	2009	2008
At start of year	**295p**	337p
Granted	**192p**	261p
Forfeited	**280p**	344p
Exercised	**-**	-
At end of year	**215p**	295p

Out of the 646,403 outstanding options (2008: 399,041 options), no options (2008: no options) were exercisable at 31 May 2009.

28. 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 - 2005 granted options non-US employees	377p	340p	36 mths	42 mths	36%	4.5%	5.0%	90.9p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme - 2006 granted options non-US and French employees	389p	292.6p	36 mths	42 mths	31%	4.8%	4.9%	112.4p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme - 2006 granted options US employees	396p	336p	24 mths	24 mths	35%	4.8%	4.8%	94.9p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme - 2006 granted options French employees	389p	304.6p	36 mths	42 mths	31%	4.8%	4.9%	106.4p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme - 2007 granted options non-US employees	328p	262.3p	36 mths	42 mths	40%	4.8%	-	137.0p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme - 2007 granted options US employees	260p	220.65p	24 mths	24 mths	39%	4.8%	-	84.8p
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

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. 75% of options are assumed to vest in the above calculation.

29. Other reserves

	2009				2008			
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 year	**101**	**628**	**(1,050)**	**(321)**	101	(261)	(1,050)	(1,210)
Net investment hedge	**-**	**(621)**	**-**	**(621)**	-	(737)	-	(737)
Exchange differences on translation of foreign operations	**-**	**2,605**	**-**	**2,605**	-	1,626	-	1,626
Current tax	**-**	**174**	**-**	**174**	-	-	-	-
End of year	**101**	**2,786**	**(1,050)**	**1,837**	101	628	(1,050)	(321)

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

As at 31 May 2009 the Company's capital redemption reserve was £101,000 (2008: £101,000). The Company had no other reserves in addition to the capital redemption reserve at either year end.

30. Retained earnings

	Group				Company		
	Hedging reserve £000	Treasury shares £000	Profit and loss £000	Total £000	Treasury shares £000	Profit and loss £000	Total £000
At 4 June 2007	(62)	(49)	21,800	21,689	(49)	23,230	23,181
Loss attributable to equity shareholders	-	-	(740)	(740)	-	(1,955)	(1,955)
Cash flow hedges:							
- Fair value losses in the year	(940)	-	-	(940)	-	-	-
- Transfers to net profit (cost of sales)	88	-	-	88	-	-	-
Deferred tax	237	-	-	237	-	-	-
Shares vested	-	49	(49)	-	49	(49)	-
Share-based payments	-	-	135	135	-	135	135
At 1 June 2008 and 2 June 2008	(677)	-	21,146	20,469	-	21,361	21,361
Profit/(loss) attributable to equity shareholders	-	-	5,550	5,550	-	(2,572)	(2,572)
Cash flow hedges:							
- Fair value losses in the year	(112)	-	-	(112)	-	-	-
- Transfers to net profit (cost of sales)	940	-	-	940	-	-	-
Deferred tax	(232)	-	-	(232)	-	-	-
Share-based payments	-	-	161	161	-	161	161
At 31 May 2009	**(81)**	**-**	**26,857**	**26,776**	**-**	**18,950**	**18,950**

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £1,159,000 (2008: £1,159,000).

Own shares were held in treasury by the Games Workshop Employee Share Trust, a discretionary trust, to satisfy options and awards granted under a former long-term incentive plan. The number of shares held in treasury are nil (2008: nil).

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

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Operating profit/(loss) - continuing operations	**9,014**	2,552	**(3,130)**	(2,399)
Operating profit/(loss) - discontinued operations	**129**	(1,106)	**-**	-
Depreciation of property, plant and equipment	**7,055**	6,778	**-**	-
Net impairment charge/(reversal) on property, plant and equipment	**167**	(52)	**-**	-
Loss on disposal of property, plant and equipment (see below)	**-**	210	**-**	-
Loss on disposal of intangible assets (see below)	**39**	-	**-**	-
Profit on disposal of assets held for sale	**(36)**	-	**-**	-
Loss on disposal of goodwill	**-**	922	**-**	-
Amortisation of capitalised development costs	**2,269**	2,236	**-**	-
Amortisation of other intangibles	**1,281**	753	**-**	-
Net fair value (gains)/losses on derivative financial instruments	**(226)**	421	**-**	(24)
Share-based payments	**161**	135	**-**	-
Changes in working capital:				
- Decrease in inventories	**386**	811	**-**	-
- Decrease/(increase) in trade and other receivables	**393**	(847)	**(793)**	60
- (Decrease)/increase in trade and other payables	**(1,713)**	480	**588**	854
- Decrease in provisions	**(17)**	(2,196)	**(76)**	(123)
Net cash from operating activities	**18,902**	11,097	**(3,411)**	(1,632)

The cash flow relating to exceptional items is £764,000 (2008: £3,374,000).

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

	Group	
	2009 £000	2008 £000
Net book amount	**62**	260
Loss on sale of property, plant and equipment	**-**	(210)
Proceeds from sale of property, plant and equipment	**62**	50

The Company sold no property, plant and equipment at either year end.

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

Proceeds from the sale of other intangibles comprise:

	2009 £000	2008 £000
Net book amount	**39**	44
Loss on disposal of other intangible assets	**(39)**	-
Proceeds from sale of other intangibles	**-**	44

The Company sold no other intangibles at either year end.

32. Analysis of net debt

Group	As at 1 June 2008 £000	Cash flow £000	Exchange movement £000	**As at 31 May 2009 £000**
Cash at bank and in hand	7,723	1,999	633	**10,355**
Current borrowings - bank overdraft	(2,779)	2,889	(110)	**-**
Cash and cash equivalents	4,944	4,888	523	**10,355**
Non-current borrowings	(15,000)	3,000	-	**(12,000)**
Finance leases	(13)	13	(2)	**(2)**
Net debt	(10,069)	7,901	521	**(1,647)**

Company	As at 1 June 2008 £000	Cash flow £000	Exchange movement £000	**As at 31 May 2009 £000**
Cash at bank and in hand	4,643	(4,823)	180	**-**
Current borrowings - bank overdraft	-	(590)	-	**(590)**
Cash and cash equivalents	4,643	(5,413)	180	**(590)**
Non-current borrowings	(15,000)	3,000	-	**(12,000)**
Net debt	(10,357)	(2,413)	180	**(12,590)**

33. Reconciliation of net cash flow to movement in net debt

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Increase/(decrease) in cash and cash equivalents in the year	**4,888**	5,164	**(5,413)**	8,672
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	**3,013**	(5,179)	**3,000**	(9,800)
Change in net debt resulting from cash flows	**7,901**	(15)	**(2,413)**	(1,128)
Exchange movement	**521**	124	**180**	-
Net debt at start of year	**(10,069)**	(10,178)	**(10,357)**	(9,229)
Net debt at end of year	**(1,647)**	(10,069)	**(12,590)**	(10,357)

34. Commitments

Capital commitments

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

Group	**2009 £000**	2008 £000
Other intangible assets	**37**	77
Property, plant and equipment	**589**	333
Total	**626**	410

The Company had no capital commitments at either year end.

34. Commitments continued

Operating lease commitments

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

Group	2009 Hobby centres £000	2009 Other property £000	2009 Other £000	2008 Hobby centres £000	2008 Other property £000	2008 Other £000
Within 1 year	**8,705**	**1,538**	**303**	7,819	1,429	394
Between 2 and 5 years inclusive	**21,106**	**3,716**	**319**	18,501	3,119	349
In over 5 years	**4,911**	**716**	**-**	5,225	838	-
	34,722	**5,970**	**622**	31,545	5,386	743

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

Inventory purchase commitments

Group	2009 £000	2008 £000
Raw materials	**634**	-

The Company had no inventory purchase commitments at the year end (2008: £nil).

Pension arrangements

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

35. Contingencies

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

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The Group also has contingent liabilities in respect of the potential reversionary interest in sub-let leasehold properties amounting to £810,000 (2008: £1,072,000).

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

The Company has also guaranteed the bank overdrafts and loans of certain Group undertakings for which the aggregate amount outstanding under these arrangements at the balance sheet date was £8,625,000 (2008: £14,791,000).

36. Related-party transactions

During the year the Company provided management and similar services to the majority of subsidiary companies within the Group. 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 year.

Transactions between the Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2009 £000	2008 £000
Games Workshop America Inc.	Recharges	**41**	45
	Interest payable	**(10)**	(2)
EURL Games Workshop	Recharges	**61**	52
	Interest payable	**(94)**	(115)
Games Workshop SL	Recharges	**29**	31
	Interest payable	**(31)**	(39)
Games Workshop Oz Pty Limited	Recharges	**3**	13
	Interest payable	**(8)**	-
Games Workshop Deutschland GmbH	Recharges	**61**	66
	Interest payable	**(14)**	-
Games Workshop Italia SRL	Recharges	**25**	29
Games Workshop International Limited	Interest payable	**(9)**	-
Games Workshop (Queen Street) Limited	Recharges	**3**	12
	Interest receivable	**36**	55
Games Workshop Limited	Recharges	**12**	6
	Interest receivable	**441**	725
		546	878

36. Related-party transactions continued

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

Subsidiary	Amounts owed by subsidiaries 2009 £000	2008 £000	Amounts owed to subsidiaries 2009 £000	2008 £000
Games Workshop Group PLC Employee Share Trust	**35**	31	**-**	-
Games Workshop Limited	**2,455**	985	**-**	-
Games Workshop America Inc.	**166**	-	**-**	(42)
Games Workshop US Manufacturing LLC	**-**	-	**-**	(26)
EURL Games Workshop	**6**	6	**-**	-
Games Workshop SL	**4**	3	**-**	-
Games Workshop Oz Pty Limited	**27**	15	**-**	-
Games Workshop Deutschland GmbH	**15**	9	**-**	-
Games Workshop (Shanghai) Co. Limited	**10**	-	**-**	-
Games Workshop International Limited	**-**	-	**(342)**	(223)
Games Workshop (Queen Street) Limited	**8**	3	**-**	-
Games Workshop Italia SRL	**105**	70	**-**	-
	2,831	1,122	**(342)**	(291)

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

Subsidiary	Amounts owed by subsidiaries 2009 £000	2008 £000	Amounts owed to subsidiaries 2009 £000	2008 £000
Games Workshop SL	**-**	-	**-**	(864)
Games Workshop (Queen Street) Limited	**1,168**	1,075	**-**	-
Games Workshop America Inc.	**-**	-	**-**	(913)
Games Workshop Deutschland GmbH	**-**	-	**(1,770)**	-
	1,168	1,075	**(1,770)**	(1,777)

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

Subsidiary	Amounts owed by subsidiaries 2009 £000	2008 £000	Amounts owed to subsidiaries 2009 £000	2008 £000
Games Workshop Interactive Limited	**6,779**	6,779	**-**	-
Less provision for impairment	**(6,779)**	(6,779)	**-**	-
Games Workshop Limited	**15,456**	15,015	**-**	-
EURL Games Workshop	**-**	-	**(2,458)**	(2,271)
Games Workshop Oz Pty Limited	**-**	-	**(1,001)**	-
Games Workshop International Limited	**-**	-	**(1,375)**	-
Other subsidiaries	**-**	-	**(1,503)**	(1,503)
	15,456	15,015	**(6,337)**	(3,774)

FIVE YEAR SUMMARY

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Continuing operations					
Revenue	**125,706**	110,345	109,501	114,468	135,804
Continuing operations					
Operating profit - pre-exceptional and pre-royalties receivable	**5,543**	3,181	821	3,928	14,903
Exceptional items - cost reduction programme	**-**	(2,365)	(4,028)	-	-
Royalties receivable	**3,471**	1,736	1,423	1,170	374
Operating profit/(loss)	**9,014**	2,552	(1,784)	5,098	15,277
Finance income	**333**	425	326	238	348
Finance costs	**(1,808)**	(1,918)	(1,110)	(797)	(740)
Profit/(loss) before taxation	**7,539**	1,059	(2,568)	4,539	14,885
Income tax expense	**(2,107)**	(613)	(622)	(1,660)	(4,889)
Profit/(loss) attributable to equity shareholders - continuing	**5,432**	446	(3,190)	2,879	9,996
Profit/(loss) attributable to equity shareholders - discontinued	**118**	(1,186)	(291)	(881)	(976)
Basic earnings/(loss) per ordinary share	**17.8p**	(2.4)p	(11.2)p	6.5p	29.4p

FINANCIAL CALENDAR

Annual general meeting	17 September 2009
Announcement of half year results	January 2010
Financial year end	30 May 2010
Announcement of final results	July 2010

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