FINANCIAL HIGHLIGHTS

	2011	2010
Revenue	**£123.1m**	£126.5m
Revenue at constant currency*	**£122.8m**	£126.5m
Operating profit - pre-royalties receivable	**£12.8m**	£13.0m
Royalties receivable	**£2.5m**	£3.0m
Operating profit	**£15.3m**	£16.0m
Pre-tax profit	**£15.4m**	£16.1m
Year end net funds	**£17.6m**	£17.1m
Earnings per share	**36.1p**	48.4p
Dividends per share paid in the year	**45p**	-
Proposed dividend per share	**18p**	25p

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*Constant currency revenue is calculated by comparing results in the underlying currencies for 2010 and 2011, both converted at the 2010 average exchange rates as set out on page 8

CHAIRMAN'S PREAMBLE

We like to think of ourselves as a young company, eagerly entering the world of commerce bristling with ideas and ambition. Our staff bring the energy and optimism of youth to every problem we face, don't they? It is a salutary reminder for me to remember we will be making 30-year-service awards at our veteran's night dinner again this year. It won't be long before I get mine. Danielle Gaudry, who founded and ran our French business for many years and is surely the definition of that youthful vigour, retires this year. *Retires*.

We are no longer so young, either as a business or the people who run it. Two things flow from this.

Firstly, we now know (more by trial and error than sophisticated analysis - 'the wisdom of years') how this business works. We know what it takes to run a good Hobby centre, we know how to run a good trade sales department, we know how to recruit people who have great attitudes, we know how to make the best miniatures in the world and how to surprise and delight our customers over and over again. (Go take a quick look at Citadel Finecast - awesome!) What we are now learning is how to spread that knowledge around the far flung world of Games Workshop. We are also learning that we are not doing it fast enough or thoroughly enough.

Secondly, the generation which built Games Workshop is beginning to wonder what a 'pension' is. We wake up in the morning with the same aches we had yesterday. We wear glasses. We have learned patience (is that always a good thing and does it come from wisdom or exhaustion?). *Some* of us have a Senior Railcard. Nonetheless, we remain passionate about the potential for the Hobby and the Group.

So, in addition to the normal running of the business, we will also be turning our gaze upon the problems of succession. We will be rolling out a programme aimed at getting everyone at Games Workshop to understand how we do business.

The challenges are as real as ever and our full responsibility is as well. Despite the exigencies of the 'real' world our destiny is still in our own hands. We have to ensure that the best practices we know about are followed everywhere within the Group. We have done much to improve our profitability and the return on your capital but we still have work to do on re-establishing growth, particularly in our Hobby centres.

Dividends have returned. I am as pleased as you are. Does this herald in a new era of progressive dividends on an assured yield? Hardly. We return truly surplus cash to shareholders. 'Truly surplus' means the cash we can not use because we have already spent all we need for the growth of the business. It would sit in a bank account if we didn't return it. Working this way means the payment of dividends will be fairly happenstance; I can see us having surplus cash in the future and when we have (assuming it is a sensible sum) it will be returned, not according to a schedule, but right then and there.

Tom Kirby
Chairman
25 July 2011

CEO's COMMENTARY

Performance

2010/11 has seen satisfactory performance, driven by improved gross margins and good cost control leading to a healthy cash inflow. Although sales were down in the first half, Games Workshop delivered improved results in the second half as the focus on customer service training for Hobby centre managers and investment in new product development started to feed through into results.

Continental Europe performed better this year in constant currency terms although France slipped back in the second half and a new management team is now in place. After a slow start to the year, North America and the UK both improved in the second half in constant currency terms. Our specialist businesses, Forge World and Black Library, again showed strong growth in constant currency terms, a good indicator of the underlying health of the Hobby.

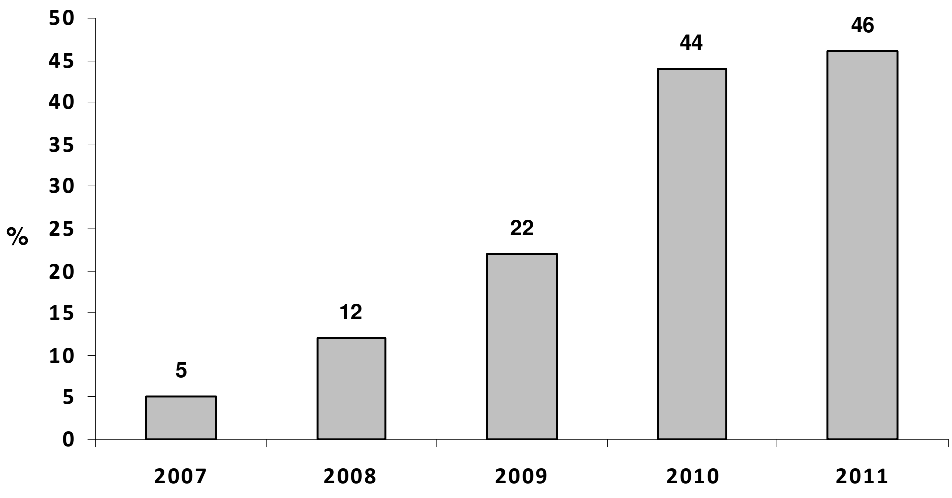
Since Christmas more Hobby centres have delivered like for like growth, particularly in North America where last year's changes to store staffing and regional management are settling down. We are now confident Games Workshop has a profitable retail model for North America and we have started the gradual geographical expansion into new cities, with new Games Workshop Hobby centres opening in San Antonio, Texas and Bowie, Maryland, with more cities to follow.

Sales to independent retailers finished the year at the same level as last year, which is encouraging given the economic pressure on independent retailers across the globe. Over the last few years Games Workshop has improved its service to these accounts by ensuring that they are stocked with our best selling products and are rewarded for offering value added services to our customers. It is good therefore to report a net increase in Games Workshop's account base of 128 stockist accounts, with increases in the UK, North America and Japan.

Sales through the Games Workshop webstore finished slightly behind a strong performance last year, when the limited edition Space Hulk product sold exceptionally well through the Web. The number of new customer registrations on the Games Workshop webstore grew by over 150,000 across all territories. We achieved this not by offering discounts but by providing access to the full range, with good product information and a fast and reliable delivery service.

Our focus on return on capital has continued. Inventory has been reduced by £1.7 million through automatic stock replenishment in Hobby centres and careful management of warehouse inventory levels. Despite a difficult economic climate for independent shops, our responsible trade terms and practices have ensured that we have remained in control of trade debt, with asset turn increasing from 3.45 to 3.67 and return on capital improving to 45.7%.

Return on capital*



Strategic initiatives 2011/12

Last year I described to you the key elements of our strategy, namely, the continual investment in new product development to give our customers a constantly evolving range of products to keep them excited and engaged in the Hobby, and the recruitment and development of new customers through our network of Games Workshop Hobby centres. We have made significant progress in both of these strategic value drivers this year.

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

CEO's COMMENTARY continued

Citadel Finecast

In May 2011, Games Workshop launched Citadel Finecast, a new range of highly detailed resin miniatures and box sets. Citadel Finecast is a ground breaking development for Games Workshop and it's important that I take time to explain to shareholders its strategic and commercial significance.

The single most important factor to Games Workshop customers is the quality of our miniatures. It is for that reason we invest millions of pounds every year in developing and launching new and improved products. Over recent years Games Workshop has made huge strides in improving the quality of our plastic miniatures. However, after 30 years, the scope for improving the quality of our metal miniatures is limited and we believe that the optimum level of quality with that material has now been achieved.

Metal miniatures also come with inherent disadvantages for hobbyists, as larger kits are difficult to assemble and often require pinning to support the weight of the various parts. They are difficult to convert or pose without a high degree of skill and specialist tools. They are also susceptible to paint chipping off either in transit or if they topple over while gaming.

For many years Games Workshop has been making a small range of highly detailed large resin kits through the Forge World business. The quality of these kits is exceptional because of the detail that is possible by using a resin manufacturing process. Compared to their metal cousins resin models are far easier to assemble, are lighter and less prone to chipping and are much easier to convert with a hobby knife and superglue. Crucially, resin miniatures provide a much higher level of detail for the customer.

However, manufacturing in resin is a very labour intensive process which involves mixing chemicals in flexible moulds that can deteriorate after a small number of casts. Quality control has to be 100% as the potential for miscasts is much higher than for metal or plastic miniatures. As a consequence the price of each kit is necessarily somewhat higher than the former metal versions and production runs are small to ensure that quality standards are maintained.

Four years ago, Games Workshop released Apocalypse, a game supplement for Warhammer 40,000 which allowed customers to play games on a much bigger scale. In these games many customers chose to field their large Forge World models and sales of Forge World's resin kits boomed. For about six months we struggled to manufacture enough Forge World kits to meet demand and, while it was painful at the time, we learnt some valuable lessons about how to make resin kits in higher volumes.

With the seemingly inexorable rise in the commodity price of metal, combined with the experience we have gained from making Forge World kits and the obvious benefits to customers of resin miniatures, our manufacturing team have spent the last two years looking at the possibility of converting Games Workshop's metal range of miniatures and kits to resin. That is what Games Workshop has now done with Citadel Finecast.

The initial launch in May 2011 was limited to replacing the metal range stocked in Games Workshop Hobby centres. This comprised over 100 model codes and was the largest range launch in Games Workshop's history. The scale of this task is not to be underestimated, as making finely detailed resin miniatures in these sorts of quantities has never been attempted before. The initial production run achieved a 97% quality level, far exceeding previous levels achieved in the development phase. There is a continuous improvement programme in place to ensure that the quality level in production is improved even further.

The reaction of customers and staff to Citadel Finecast has been overwhelmingly positive. The level of detail achieved in this material is truly incredible. To make this more visible to our customers when making a purchase, we have introduced a new recyclable clam pack design to replace the traditional blister packs. Given the popularity of the new resin range, we will replace the majority of the metal miniatures in our back catalogue gradually over time. We have fully provided for the metal Hobby centre stock in this year's accounts.

Games Workshop already makes the best fantasy miniatures in the world. All Games Workshop miniatures will now be made either in resin or plastic to ensure Games Workshop customers get the best quality miniatures available. From a strategic perspective, Citadel Finecast has established an even greater quality differential for Games Workshop over other miniature makers using traditional metal manufacturing methods. Importantly, it will be difficult technically, with a high entry cost, for anyone to try to establish manufacturing facilities to replicate product of this quality in significant volume.

Warhammer relaunch

This was an important year for our Warhammer game. The huge success that had been enjoyed by the futuristic Warhammer 40,000 game over recent years had rather overshadowed its older sibling. As a result, many new customers had yet to experience the joy of massed regiments of swordsmen and mounted cavalry doing battle with monsters and wizards across the magic infested landscapes of the Warhammer world. In commercial terms this meant that we were not getting a good enough return on the investment in product development for this range, so we decided it was time to redress the balance.

Warhammer relaunch continued

Our design team made a number of changes to the Warhammer game that make it much more exciting to play and introduced a range of new plastic kits, including plenty of new monsters that have not only reignited interest from existing customers but attracted new hobbyists to the fantasy genre. To add further weight to the Warhammer universe, Forge World has launched a range of large scale models and books under the brand Warhammer Forge to much excitement among the Hobby community.

We will continue our support for this revitalised game system this summer with a new Warhammer gaming supplement, Storm of Magic, accompanied by a range of impressive new monsters and scenery. There has never been a better time to be a Warhammer customer.

Retail Standards

The other area of strategic investment is in growing our customer base through our Games Workshop Hobby centres. One of our key priorities this year was to improve Games Workshop Hobby centre performance by introducing Retail Standards, an initiative to raise the quality of customer service through regular Hobby skills training programmes for all staff. This was supported by introducing a performance related pay element in Hobby centre manager rewards.

Good progress has been made here. Across the world, every Games Workshop Hobby centre manager now attends a Hobby skills camp once a quarter, where they are trained on Games Workshop's Ten Commandments of customer service. These training camps are then followed up in Hobby centres by regional managers who coach individual managers on the application of this training.

Not only are these Hobby skills camps really effective at developing managers' skill levels, they are also great fun and give our front line staff a great morale boost each quarter. It is encouraging to report that the number of Hobby centres in growth has gradually increased since Christmas and we have now embedded this consistent approach to training and coaching to ensure continuous improvement in customer service as the way we do business.

Another initiative that has proven to be successful in growing our customer base has been the introduction of Facebook across our Hobby centres. Traditionally, we have found that most customers discover the Games Workshop Hobby by word of mouth from friends and family. With Facebook becoming the new ‘word of mouth’ among many of our customers, individual Facebook accounts are being rolled out to all 392 Games Workshop Hobby centres across the world. This allows each manager to keep local hobbyists informed of activities and events, such as new product launches. It also makes it easier for customers to recommend Games Workshop to friends and family.

Black Library

Black Library, which has delivered another strong performance amidst the disruption in the book trade, has also significantly strengthened its strategic position this year by launching its first range of digital books through the Black Library website. These downloadable eBooks proved popular immediately and Black Library has been steadily adding back catalogue and new titles in this format. Black Library eBooks are now also available on Apple’s iBooks store. Sales of this highly profitable format are growing steadily with no apparent adverse effect on their paper counterparts, which continue to figure in fantasy and science fiction bestseller lists on both sides of the Atlantic.

Black Library also launched its first foreign language novels in France. The launch took place at French Games Day in April 2011 and the entire shipment of 1,200 novels sold out on the day. Following this successful launch, Black Library will be introducing a range of novels into Games Workshop’s French Hobby centres and has signed a distribution agreement for the profitable book channels in France which still benefit from a law that maintains a fixed selling price for books sold in France.

Licensing

Finally, we have renewed our highly successful Warhammer 40,000 licence deal with THQ Inc. until 2020. This will allow THQ to continue to release excellent expansions to the Dawn of War PC game and complete the development and launch of its Warhammer 40,000 massively multiplayer online game. Later this year, THQ will also launch Kill Team, a downloadable console game, and the eagerly anticipated Space Marine ‘first person shooter game’ for Xbox and Playstation, which was demonstrated at the video and computer game trade show, E3, in June 2011 to much critical acclaim. We are also in the process of renewing our successful licence deal with Fantasy Flight Publishing Inc. which continues to release high quality products in the board game, card game and role playing genres.

Focus for 2011/12

While Games Workshop has seen an improving trend in sales in the second half, consistent volume growth remains the priority for this year. Further exciting product releases are planned and all Hobby centre managers will continue to be trained at quarterly Hobby skills camps to continue to improve our customer service. In addition, we will be implementing two new initiatives this year, manager pipeline and trade standards, both of which will support the drive for volume growth.

We have learned from experience that an enthusiastic and hard working manager who lives close to his or her Games Workshop Hobby centre is the most effective way for us to build a happy and loyal customer base. He or she gets to know local schools, clubs and gaming groups and provides a focal point for Hobby activity in that town, even more so when using Facebook to keep everyone in touch with what is going on locally. Over time this should lead to a larger customer base and stronger like for like growth. This growth is recognised in the manager’s performance related pay, ensuring that he or she can earn a good living in that town without the need to move on to another role.

CEO's COMMENTARY continued

Focus for 2011/12 continued

People do move on, of course, particularly when there are so many opportunities within Games Workshop for advancement, and many of our senior roles are now filled by people who started out as Hobby centre managers. This, and the fact that we open new Hobby centres every year, puts constant pressure on our staff recruitment processes. We need to improve these if we are to deliver consistent volume growth.

Given the importance of having enough local Hobby centre managers, the manager pipeline project is a global initiative to review how best to attract, recruit, induct and train new managers in all the locations where Games Workshop has an existing Hobby centre or plans to open one. Once the best practice approach has been identified and agreed with each business, it will be rolled out across all territories in the same way as the Hobby skills camps and Facebook initiatives have been.

With our Hobby centre channel showing some early signs of improvement, this year we will also be seeking to improve the performance of our profitable independent retailer channel. Over the last few years Games Workshop's North American trade team have consistently delivered growth in both sales and the number of accounts. They have done so by establishing processes, structures and training programmes which have proven to be highly effective at delivering sustainable growth through independent stockist accounts. We intend to use this proven approach from North America to establish trade standards for all territories over the coming year.

Risks

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

This year a new programme will be introduced for all managers: 'Understanding the Games Workshop Business'. Tom Kirby will lead this programme with the objective of educating the future leaders of Games Workshop on the critical success factors for running our niche business model. The first modules will focus on how to identify people who 'fit' Games Workshop's unique and demanding culture. The politically correct need not apply.

Summary

2010/11 was an important year for Games Workshop. Citadel Finecast has helped us establish a new level of detail and quality for fantasy miniatures. It is also the year in which we revitalised Warhammer, the premier fantasy game in tabletop wargaming. We introduced digital products through our Black Library publishing business for the first time. We have started to improve our standards of customer service in our Hobby centres and are confident we have the right model for opening more across North America.

Over the last few years Games Workshop has systematically improved its webstore, its Hobby centres and is now focusing on refining its independent retailer channel. In each case we have applied the same approach, taking a proven formula, building a project team with the necessary experience and implementing their recommendations globally to ensure consistent standards of delivery. These practical global initiatives are laying the foundations for sustainable growth in all territories.

With our manufacturing and warehousing teams using continuous improvement methodologies and innovative approaches to improve product quality and minimise the impact of rising input costs, Games Workshop's gross margins remain healthy. Further investment in systems will be needed to continue to drive efficiencies, but no major capital projects will be required for the foreseeable future.

Games Workshop is in good shape. We know what we need to do to remain successful and to grow. The board believe the prospects for this business are good.

Mark Wells
CEO
25 July 2011

FINANCE REVIEW

Sales

Reported sales decreased by 2.7% to £123.1 million for the year. However, on a constant currency basis, sales were down by 2.9% from £126.5 million to £122.8 million; progress was achieved in Emerging Markets and Japan (+2.1%) and in the Other business units (+7%) while sales in Continental Europe (+0.6%) were flat. UK (-6.3%), North America (-4.8%) and Australia (-11.8%) were in decline.

Operating profit

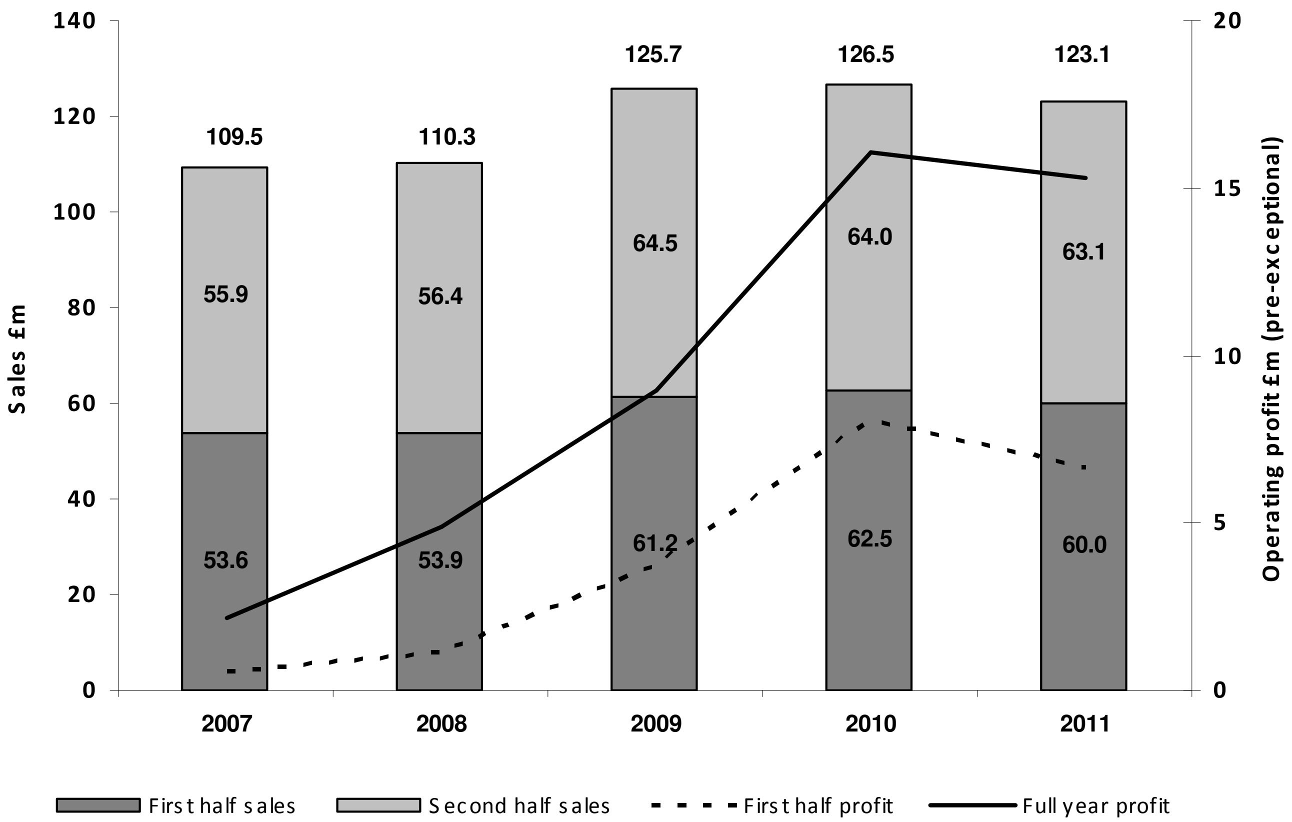
Given the sales decline, core business operating profit (profit before royalty income) was slightly down on prior year at £12.8 million (2010: £13.0 million). On a constant currency basis, core business operating profit was flat at £13.0 million. This result was delivered by a 1.1% improvement in our gross margin and £1.3 million reduction in overheads. During the year we benefited from the full year effect of the consolidation of our North American business, where we saw a £2.9 million reduction in overheads. Also included in the period reported is the cost of £0.6 million related to moving our manufacturing operations from Shanghai back to Nottingham.

After royalty income of £2.5 million (2010: £3.0 million) operating profit decreased by £0.7 million to £15.3 million. On a constant currency basis, operating profit decreased by £0.6 million to £15.5 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



Cash generation and investment

During the year, the Group's core operating activities generated £19.5 million (2010: £23.5 million) of cash. The Group also received cash of £2.8 million in respect of royalties in the year (2010: £3.1 million). After capital expenditure of £5.2 million there were net funds at the year end of £17.6 million.

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

FINANCE REVIEW continued

Cash generation and investment continued

Inventory levels fell by a further £1.7 million in the year as we optimised warehouse stock levels following the closure of our Shanghai operations. Over the year capital additions have been as follows:

	2011	2010
	£m	£m
Shop fits for new and existing Hobby centres	**0.8**	1.3
Production equipment and tooling	**2.3**	2.3
Computer equipment and software	**2.0**	1.4
Office facilities	**0.1**	0.4
Total capital additions	**5.2**	5.4

Capital expenditure is expected to be roughly the same as depreciation and amortisation over the next few years.

Dividend

During the year we followed our principle of returning truly surplus cash to shareholders and paid dividends of 25 pence per share in October 2010 and 20 pence per share in May 2011. The board now recommends a further dividend of 18 pence per share which, subject to shareholder approval, will be paid in October 2011.

Dividend reinvestment plan

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

Taxation

The effective tax rate for the year was 27%. We would expect a rate above that of businesses with activities based solely in the UK due to higher overseas tax rates, however, the rate remains below the UK corporation tax rate due to the recognition of overseas losses generated in earlier years. The low effective rate of 6.5% last year was due to the one off reversal of a provision for tax exposures no longer required.

Treasury

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

Funding and liquidity risk

The Group finances its operations from shareholders' funds. The objective is to maintain an appropriate amount of reasonably priced funding for the Group's operational and strategic needs for the foreseeable future. We have reviewed our requirements for 2011/12 and since 29 May 2011 we have cancelled the uncommitted working capital facility of £3.0 million.

Interest rate risk

Net interest receivable for the year was £43,000 (2010: £75,000) and in the year the working capital facility was not drawn down. The need for protection against higher interest rates has been considered by the board and is not considered appropriate in the short term.

Foreign exchange risk

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

	euro		US dollar	
	2011	2010	**2011**	2010
Year end rate used for the balance sheet	**1.15**	1.17	**1.65**	1.45
Average rate used for earnings	**1.17**	1.14	**1.59**	1.59

We report our results in pounds sterling and the net impact in the year ended 29 May 2011 of these exchange rate fluctuations on our operating profit was a reduction of £155,000.

Foreign exchange risk continued

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

Key performance indicators (KPIs)

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

Kevin Rountree
COO
25 July 2011

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 29 May 2011.

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

Business review
The CEO's commentary on pages 3 to 6 and the finance review on pages 7 to 9 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 (page 8 of the finance review and page 6 of the CEO's commentary). Policies on employees, the environment and social and community issues form part of this directors' report. This review contains or cross references the information required by section 417 of the Companies Act 2006.

Dividend
The directors recommend a dividend of 18 pence per share, payable in October 2011.

Substantial shareholdings
The following interests in 3% or more of the issued share capital of the Company as at 22 July 2011 have been disclosed to the Company:

	No. of shares	%
The Nomad Investment Partnership LP	7,414,887	23.7
Investec Asset Management Limited	5,768,410	18.5
Phoenix Asset Management Partners Limited	4,190,607	13.4
Polar Capital Forager Fund Limited	1,162,220	3.7

The Company has not been notified of any other substantial shareholdings other than those of the directors, which are disclosed in the remuneration report on page 21.

Directors
The present directors of the Company are listed on page 24. All of the directors were members of the board throughout the year.

Under the Company's articles of association one third of the directors are required to retire by rotation at each annual general meeting. Those who retire are the longest in office since their election or last re-election. Under this formula at this year's annual general meeting, T H F Kirby and K D Rountree are seeking re-election. In addition, as a result of their long service, independent directors C J Myatt and N J Donaldson are required to retire and are seeking re-election. In relation to the independent directors, the chairman has confirmed that, following formal performance evaluation, the performance of C J Myatt and N J Donaldson continues to be effective and they continue to demonstrate commitment to their roles as independent directors, including commitment of the necessary time to board and committee meetings and other duties. C J Myatt and N J Donaldson are considered by the board to be independent of the Group, as set out in the corporate governance report.

Directors' interests
The interests of the directors in the shares of the Company are disclosed in the remuneration report on page 21, 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 and up to 25 July 2011.

Information on executive directors
T H F Kirby (age 61), 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.

Information on executive directors continued
M N Wells (age 49), CEO. Mark Wells joined Games Workshop in May 2000 as director of strategy and planning. He qualified as a solicitor with Messrs Herbert Smith in 1987, and subsequently held various management roles with Next PLC and Boots Group PLC, including director of customer service for Boots the Chemists and director of merchandise and marketing for Boots Stores, Netherlands.

K D Rountree (age 41), COO. Kevin Rountree joined Games Workshop in March 1998 as assistant group accountant. He then had various management roles within Games Workshop, including head of sales for the Other Activities division. During the year ended 29 May 2011, he took on the responsibility of managing the Group's service centres globally. To reflect this, his title was changed to chief operating officer from chief financial officer. He, however, still retains responsibility for all financial matters within Games Workshop. He qualified as a chartered management accountant in August 2001. Prior to joining Games Workshop Kevin was the management accountant at J Barbour & Sons Limited and trained at Price Waterhouse.

Information on independent directors
C J Myatt (age 67). Chris Myatt is the senior independent director, joining the board on 18 April 1996. He is honorary treasurer of Keele University, a member of its council and is additionally chairman of the Douglas Macmillan Hospice. He was formerly a divisional managing director within Tarmac PLC.

N J Donaldson (age 57). Nick Donaldson was appointed to the board on 18 April 2002. A barrister by profession, Nick is a partner of London Bridge Capital Limited. Nick was, until 2003, head of corporate finance at Arbuthnot Securities Limited and previously held senior investment banking positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is chairman of DP Poland PLC and F4G Software Limited.

Share capital, share rights and other information
As at 22 July 2011, 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 22 July 2011 there were 31,222,133 (2010: 31,134,814) ordinary shares in issue. These ordinary shares are listed on the London Stock Exchange. All ordinary shares rank equally with respect to voting rights and the right to receive dividends. Shares acquired through the Company's share schemes rank pari passu with the shares in issue and have no special rights. The holders of ordinary shares are entitled to receive the Company's annual report; to attend and speak at general meetings of the Company; to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of any class of share and no requirements for prior approval of any transfers. The directors may refuse to register a transfer of shares if there is a failure to comply with certain requirements of the Company's articles of association. None of the shares carries any special rights with regard to control of the Company.

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

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

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

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

As at 29 May 2011, the Company had an unexpired authority to repurchase shares up to a maximum of 4,639,087 shares. During the year no shares were purchased in the market for cancellation.

Share capital, share rights and other information continued

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

Constructive use of the annual general meeting

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

- **Resolution 1 – 2011 annual report**
  This is a resolution to lay before shareholders the annual report in respect of the year ended 29 May 2011.
- **Resolution 2 – dividend**
  A dividend of 18 pence per ordinary share is recommended by the directors for payment to shareholders. Subject to shareholder agreement, this will be paid on 21 October 2011 to shareholders on the register at 23 September 2011.
- **Resolutions 3 to 6 – re-election of directors**
  It is the Company's policy for all directors to retire at least every three years and to stand for re-election. T H F Kirby and K D Rountree will retire and stand for re-election as directors at this meeting. In addition, as C J Myatt and N J Donaldson are independent directors who have served longer than nine years they are subject to annual re-election. Having considered the performance of and contribution made by each of the directors standing for re-election the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and as such recommends their re-election. Brief biographical details of all directors standing for re-election are included on pages 10 and 11.
- **Resolution 7 – appointment of auditors and auditors' remuneration**
  The auditors of a company must be reappointed at each general meeting at which accounts are laid. This resolution proposes the re-appointment of the Company's existing auditors, PricewaterhouseCoopers LLP, until the conclusion of the next general meeting at which accounts are laid and authorises the directors to determine the auditors' remuneration.
- **Resolution 8 – remuneration report**
  The remuneration report is in the 2011 annual report. Shareholders will be invited to approve the remuneration report.
- **Resolution 9 – authority to allot shares**
  This resolution deals with the directors' authority to allot Relevant Securities (as defined in the resolution) in accordance with section 551 of the Companies Act 2006 (the 'Act'). The maximum nominal amount of Relevant Securities which may be allotted under this resolution is £520,368, which represents approximately 33% of the Company's issued ordinary shares as at 22 July 2011. As at close of business on 22 July 2011, the Company did not hold any treasury shares. The authority granted by this resolution will expire on 14 December 2012 or, if earlier, the date of the next annual general meeting of the Company. The directors have no present intention to exercise this authority.
- **Resolution 10 – disapplication of pre-emption rights**
  This resolution will give the directors power, pursuant to the authority to allot granted by resolution 9, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £78,055, which represents approximately 5% of the Company's issued ordinary shares as at 22 July 2011. In compliance with the guidelines issued by the Pre-emption Group, the directors will ensure that no more than 7.5% of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance. The resolution also enables the Company, in event of a rights issue or open offer, to overcome certain practical difficulties which may arise in connection with fractional entitlements, or in respect of overseas shareholders as a result of local laws and which prevent shares from being issued on a strict pro rata basis. The power granted by this resolution will expire on 14 December 2012 or, if earlier, the date of the next annual general meeting of the Company. The directors have no present intention to exercise this authority.
- **Resolution 11 – authority to purchase own shares**
  This resolution seeks authority for the Company to make market purchases of its ordinary shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 4,652,097 of its ordinary shares, representing 14.9% of the Company's issued ordinary share capital as at 22 July 2011. The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of 14 December 2012 and the Company's 2012 annual general meeting. The directors do not currently have any intention of exercising the authority granted by this resolution. The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally. The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

- **Resolution 11 – authority to purchase own shares continued**
  On 29 May 2011, the total number of options to subscribe for ordinary shares in the Company amounted to 674,306 (2010: 674,094). This represented 2.2% of the Company's issued ordinary share capital on that date. If this authority to purchase shares was exercised in full the options would represent 2.5% of the issued ordinary share capital as at 29 May 2011. The Company does not have any outstanding share warrants.

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

Auditors
As at 25 July 2011, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Corporate governance
The Company's statement on corporate governance is included in the corporate governance report on pages 15 to 18.

Environment and community
2010/11 has seen another year of continued improvement in our health, safety and environmental performance in accordance with our guiding principles (set out below):

- 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.

Health and safety performance
Continued improvements, root cause and effect analysis and improved accident investigations and controls have ensured that the number of reported accidents has again not increased this year. Behavioural safety systems are currently under review to reduce accident numbers even further. Improved accident reporting mechanisms and awareness in our Hobby centres should lead to improved understanding of safety issues there. We aspire to have zero accidents.

Energy usage/cost reductions
Continued emphasis on energy saving behaviour has been further supplemented by expenditure on more efficient lighting systems to drive another year on year reduction in energy usage and costs at our Nottingham site.

The replacement of our warehouse lighting system, costing £42,000, was completed at the end of September 2010. Energy savings of over 30% per month have been achieved in this area and the expected pay back period for this lighting system will be less than two years. The same lighting system has now been installed in our Warhammer World Visitor Centre and production storage area.

Total electricity usage at our Nottingham site fell by 101,000 kilowatt hours (2.1%) over the year with an equivalent carbon dioxide reduction of 54 tonnes.

Renewable energy initiatives
We stated last year that we will continue to assess the viability of renewable energy technology. Our involvement with local and regional environmental organisations including the Nottingham Carbon Club and the Best Practice Club ensures that we are kept up to date with innovative products and services.

We fully appraised but rejected the installation of solar panels at our Nottingham site as the scheme was costly and generated only 5% of our electricity consumption and the Government incentives that make such a scheme viable are being scaled back from August 2011. Energy usage reduction remains the more effective and efficient option for the Group when compared to self generation.

DIRECTORS' REPORT continued

Cyclescheme/travel to work
In 2009 Games Workshop launched its cycle to work scheme, utilising the tax incentives introduced by the UK Government. This scheme helps reduce congestion and improve the health and wellbeing of our employees. It is available to all UK employees. To date, we have over 100 users of the scheme across the UK business. We continue to work with other local organisations and Nottingham City Council to improve sustainable travel options.

Waste management
We are continuing to achieve our zero landfill targets at our Nottingham site. In 2010/11 at our Nottingham site we recycled 61% of our waste by weight (2010: 73%). 39% of our waste was sent for heat recovery at the Nottingham City Council incinerator (2010: 27%). This is an increase in our heat recovery weight from last year due to the increase of resin waste which cannot be recycled.

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

No contributions are made to political parties.

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

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

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

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

The number of days credit taken by the Group from its suppliers at the year end was 34 days (2010: 30 days). There are no contractual or other arrangements in place which are essential to the business.

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

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

By order of the board

R F Tongue
Company secretary
25 July 2011

CORPORATE GOVERNANCE REPORT

The Listing Rules of the Financial Services Authority require listed companies to disclose, in relation to section 1 of the June 2008 Combined Code on Corporate Governance (the Combined Code), how they have applied its principles and whether they have complied with its provisions throughout the accounting period. The Combined Code can be found at http://www.frc.org.uk.

This statement, together with the remuneration report on pages 19 to 22, explains how the Company has applied the principles and complied with the provisions set out in the Code.

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

Detailed reviews of the performance of the Group's main business activities are included in the CEO's commentary and the finance review. The board presents these reviews, together with the directors' report on pages 10 to 14, to give a balanced and understandable assessment of the Group's position and prospects.

The board

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

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

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

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

The two independent directors have a breadth of successful commercial and professional experience and are considered by the board to be independent of the Group. The 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 one of these circumstances, as both of the independent directors have served for more than nine years.

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

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

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

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

The board operates primarily through its monthly meetings and is responsible for leading and controlling the Group and monitoring executive management. It meets at least nine times a year. In 2010/11 the board and its committees had nine scheduled meetings, each of which was attended by all members of the board.

CORPORATE GOVERNANCE REPORT continued

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

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

The board has established a process for the ongoing assessment of its own performance and that of its committees. In 2009/10, this review was conducted by way of private discussions, based upon a bespoke questionnaire, between the head of the Games Workshop Academy and a selection of internal and external stakeholders. These include the directors, senior managers, external advisers and shareholders. The results of the discussions were shared with the board. This will be an iterative process which will inform the board's development agenda on a regular basis.

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

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

The committee reviews the independence of the external auditors by assessing the arrangements for the day to day management of the audit relationship as well as reviewing the auditors' report which describes their procedures for identifying and reporting conflicts of interest. The committee has also established the policy that the primary role of the external auditors is to perform services directly related to their audit responsibilities. The Group uses advisers for taxation advice and other services. The tender selection process for these is based on quality of service and cost.

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

- reviewed the 2010 annual report and 2011 half-year results;
- considered the output from the Group wide process to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls;
- reviewed and agreed the scope of the audit work undertaken by the external auditors;
- agreed the fees to be paid to the external auditors for the audit of the 2011 financial statements;
- agreed a programme of work for the internal auditors;
- received reports from the internal auditors on the work performed and management responses to points made in those audit reports.

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

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

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

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

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

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

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

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

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

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

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

Remuneration report
The Company's policy on executive remuneration and details of the executive directors' salaries, annual bonuses and pensions, and fees for the independent directors are set out in the board report on remuneration on pages 19 to 22.

CORPORATE GOVERNANCE REPORT continued

Remuneration report continued

During the year, the executive directors participated in the Company's profit share scheme which applies equally to all employees. The maximum bonus that can be earned is £1,000 per person. 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 directors' total remuneration packages. 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 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, 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
Company secretary
25 July 2011

REMUNERATION REPORT

Remuneration and nomination committee

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

Remuneration policy

Throughout the year the Company complied with the provisions of the Combined Code relating to the design of performance-related remuneration for directors save that, as set out in the corporate governance report on page 18 above, the performance-related elements do not form a significant proportion of the total remuneration packages.

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) profit share (variable).

Salaries

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

Profit share

During the year, the executive directors participated in a profit share scheme which applies equally to all employees. The maximum payment that can be earned is £1,000 per person (before tax). There will be no profit share payments in respect of 2010/11.

Benefits in kind

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

Share option schemes

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

Service contracts

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

REMUNERATION REPORT continued

Service contracts continued
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 and N J Donaldson on 23 March 2011. The effective date for both contracts was 1 April 2011.

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

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

Directors' interests in shares of the Company

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

	As at 29 May 2011 ordinary shares of 5p each		As at 30 May 2010 ordinary shares of 5p each	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
T H F Kirby	**1,913,009**	**25,385**	1,913,009	25,385
M N Wells	**68,150**	**57,436**	64,698	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 29 May 2011

	Fees 2011 £000	Salary 2011 £000	Benefits in kind 2011 £000	**Total emoluments 2011 £000**	Total emoluments 2010 £000	**Pension contributions 2011 £000**	Pension contributions 2010 £000
Executive directors							
T H F Kirby	-	462	17	**479**	403	**35**	35
M N Wells	-	266	2	**268**	254	**39**	26
K D Rountree	-	185	2	**187**	152	**22**	11
Independent directors							
C J Myatt	50	-	-	**50**	38	**-**	-
N J Donaldson	42	-	-	**42**	32	**-**	-
	92	913	21	**1,026**	879	**96**	72

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

Pensions

The Company contributes into a self invested personal pension scheme for T H F Kirby. Following the introduction of a salary sacrifice scheme in 2010/11, the Company contributes directly into the Group's personal pension scheme for each individual in return for a corresponding reduction in salary. This has led to an increase in pension contributions, as shown above, along with a reduction in salary for M N Wells and K D Rountree. These are defined contribution schemes and so the Company's contributions set out above reflect the full cost during the year of providing pension benefits to these directors.

Share options

Share options granted to the directors were as follows:

	At 30 May 2010	Granted	**Number as at 29 May 2011**	Exercise dates Commencement	Expiry	Exercise price
K D Rountree	5,020	-	**5,020**	Nov-11	Apr-12	191.2p
M N Wells	5,020	-	**5,020**	Nov-11	Apr-12	191.2p
T H F Kirby	-	2,641	**2,641**	Nov-13	Apr-14	340.7p

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

REMUNERATION REPORT continued

Share options continued

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 29 May 2011 and the date of this report.

The mid-market price of the Company's shares on 29 May 2011 was 427.5p (30 May 2010: 346.5p) and the range of the market prices during the year was 340p to 460p (2010: 205p to 403.5p).

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
25 July 2011

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

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

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

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

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

Each of the directors, whose names and functions are listed on page 24, confirms that, to the best of his knowledge:

- the 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 Group and Company; and
- the CEO's commentary and the finance review include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the board

R F Tongue
Company secretary
25 July 2011

COMPANY DIRECTORS AND ADVISERS

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

Company secretary
R F Tongue

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

Registered number
2670969

Financial advisers and stockbrokers
Peel Hunt LLP, 111 Broad Street, London, EC2N 1PH

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the members of Games Workshop Group PLC

We have audited the financial statements of Games Workshop Group PLC for the year ended 29 May 2011 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated and Company statements of comprehensive income, the consolidated and Company cash flow statements, the consolidated and Company statements of total changes in equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 29 May 2011 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 lAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance report set out on pages 15 to 18 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 14, in relation to going concern;
- the parts of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
25 July 2011

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 29 May 2011 £000**	Year ended 30 May 2010 £000
Revenue	3	**123,052**	126,511
Cost of sales		**(28,288)**	(30,683)
Gross profit		**94,764**	95,828
Operating expenses	4	**(81,975)**	(82,839)
Other operating income - royalties receivable		**2,538**	3,056
Operating profit	3	**15,327**	16,045
Finance income	6	**132**	442
Finance costs	7	**(89)**	(367)
Profit before taxation	8	**15,370**	16,120
Income tax expense	9	**(4,100)**	(1,040)
Profit attributable to equity shareholders	27	**11,270**	15,080

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

Basic earnings per ordinary share	10	**36.1p**	48.4p
Diluted earnings per ordinary share	10	**35.8p**	48.1p

STATEMENTS OF COMPREHENSIVE INCOME

		Group		Company	
	Notes	**Year ended 29 May 2011 £000**	Year ended 30 May 2010 £000	**Year ended 29 May 2011 £000**	Year ended 30 May 2010 £000
Profit attributable to equity shareholders		**11,270**	15,080	**17,916**	2,902
Other comprehensive income					
Exchange differences on translation of foreign operations		**(981)**	1,885	**-**	-
Cash flow hedges:					
- transferred to the income statement		**-**	112	**-**	-
Tax on items recognised directly in equity	9	**-**	(31)	**-**	-
Other comprehensive income for the year		**(981)**	1,966	**-**	-
Total comprehensive income attributable to equity shareholders		**10,289**	17,046	**17,916**	2,902

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

The notes on pages 31 to 57 are an integral part of these financial statements.

BALANCE SHEETS

	Notes	Group 29 May 2011 £000	Group 30 May 2010 £000	Company 29 May 2011 £000	Company 30 May 2010 £000
Non-current assets					
Goodwill	12	**1,433**	1,433	**-**	-
Other intangible assets	13	**4,968**	5,889	**-**	-
Property, plant and equipment	14	**21,047**	23,264	**-**	-
Investments in subsidiaries	15	**-**	-	**30,584**	30,584
Trade and other receivables	18	**1,815**	1,678	**3,900**	5,363
Deferred tax assets	16	**6,865**	5,917	**21**	24
		36,128	38,181	**34,505**	35,971
Current assets					
Inventories	17	**8,431**	10,138	**-**	-
Trade and other receivables	18	**9,790**	10,043	**1,521**	2,958
Current tax assets		**593**	301	**-**	4
Cash and cash equivalents	19	**17,572**	17,089	**254**	-
		36,386	37,571	**1,775**	2,962
Total assets		**72,514**	75,752	**36,280**	38,933
Current liabilities					
Financial liabilities - borrowings	20	**-**	-	**-**	(437)
Trade and other payables	22	**(13,883)**	(15,550)	**(353)**	(1,931)
Current tax liabilities		**(3,119)**	(1,027)	**-**	-
Provisions	24	**(1,384)**	(1,848)	**-**	(12)
		(18,386)	(18,425)	**(353)**	(2,380)
Net current assets		**18,000**	19,146	**1,422**	582
Non-current liabilities					
Other non-current liabilities	23	**(434)**	(582)	**-**	(4,871)
Provisions	24	**(1,677)**	(1,442)	**(6)**	(5)
		(2,111)	(2,024)	**(6)**	(4,876)
Net assets		**52,017**	55,303	**35,921**	31,677
Capital and reserves					
Called up share capital	25	**1,561**	1,557	**1,561**	1,557
Share premium account	25	**8,048**	7,837	**8,048**	7,837
Other reserves	26	**2,741**	3,722	**101**	101
Retained earnings	27	**39,667**	42,187	**26,211**	22,182
Total shareholders' equity		**52,017**	55,303	**35,921**	31,677

The notes on pages 31 to 57 are an integral part of these financial statements.

The financial statements on pages 27 to 57 were approved by the board of directors on 25 July 2011 and were signed on its behalf by:

M N Wells, Director

K D Rountree, Director

Registered number 2670969

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves (note 26) £000	Retained earnings (note 27) £000	Total equity £000
At 1 June 2009	1,556	7,822	1,837	26,776	37,991
Profit for the year to 30 May 2010	-	-	-	15,080	15,080
Exchange differences on translation of foreign operations	-	-	1,885	-	1,885
Cash flow hedges:					
- transferred to the income statement (net of tax)	-	-	-	81	81
Total comprehensive income for the year	-	-	1,885	15,161	17,046
Transactions with owners:					
Share-based payments	-	-	-	170	170
Shares issued under employee sharesave scheme	1	15	-	-	16
Deferred tax credit relating to share options	-	-	-	80	80
Total transactions with owners	1	15	-	250	266
At 30 May 2010 and 31 May 2010	1,557	7,837	3,722	42,187	55,303
Profit for the year to 29 May 2011	-	-	-	11,270	11,270
Exchange differences on translation of foreign operations	-	-	(981)	-	(981)
Total comprehensive income for the year	**-**	**-**	**(981)**	**11,270**	**10,289**
Transactions with owners:					
Share-based payments	-	-	-	141	141
Shares issued under employee sharesave scheme	4	211	-	-	215
Deferred tax credit relating to share options	-	-	-	97	97
Dividends approved and paid in the year to 29 May 2011	-	-	-	(14,028)	(14,028)
Total transactions with owners	**4**	**211**	**-**	**(13,790)**	**(13,575)**
At 29 May 2011	**1,561**	**8,048**	**2,741**	**39,667**	**52,017**

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 June 2009	1,556	7,822	101	19,110	28,589
Profit for the year to 30 May 2010	-	-	-	2,902	2,902
Total comprehensive income for the year	-	-	-	2,902	2,902
Transactions with owners:					
Share-based payments	-	-	-	170	170
Shares issued under employee sharesave scheme	1	15	-	-	16
Total transactions with owners	1	15	-	170	186
At 30 May 2010 and 31 May 2010	1,557	7,837	101	22,182	31,677
Profit for the year to 29 May 2011	-	-	-	17,916	17,916
Total comprehensive income for the year	**-**	**-**	**-**	**17,916**	**17,916**
Transactions with owners:					
Share-based payments	-	-	-	141	141
Shares issued under employee sharesave scheme	4	211	-	-	215
Dividends approved and paid in the year to 29 May 2011	-	-	-	(14,028)	(14,028)
Total transactions with owners	**4**	**211**	**-**	**(13,887)**	**(13,672)**
At 29 May 2011	**1,561**	**8,048**	**101**	**26,211**	**35,921**

The notes on pages 31 to 57 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

		Group		Company	
		Year ended	Year ended	**Year ended**	Year ended
		29 May 2011	30 May 2010	**29 May 2011**	30 May 2010
	Notes	**£000**	£000	**£000**	£000
Cash flows from operating activities					
Cash generated from operations	28	**25,825**	29,787	**19,750**	4,095
UK corporation tax paid		**(2,160)**	(1,802)	**-**	(4)
Overseas tax paid		**(1,378)**	(1,417)	**-**	-
Net cash from operating activities		**22,287**	26,568	**19,750**	4,091
Cash flows from investing activities					
Purchases of property, plant and equipment		**(4,522)**	(4,611)	**-**	-
Proceeds on disposal of property, plant and equipment	28	**89**	10	**-**	-
Purchases of other intangible assets		**(694)**	(900)	**-**	-
Expenditure on product development		**(2,692)**	(2,524)	**-**	-
Interest received		**55**	51	**2**	-
Net cash from investing activities		**(7,764)**	(7,974)	**2**	-
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**215**	16	**215**	16
Loans received from related parties		**-**	-	**-**	4,717
Repayment of borrowings		**-**	(12,000)	**-**	(12,000)
Repayments of borrowings to related parties		**-**	-	**(6,334)**	(6,499)
Repayments of borrowings by related parties		**-**	-	**1,257**	10,045
Repayment of principal under finance leases		**-**	(2)	**-**	-
Interest paid		**(72)**	(315)	**(60)**	(311)
Dividends paid to company shareholders		**(14,028)**	-	**(14,028)**	-
Net cash from financing activities		**(13,885)**	(12,301)	**(18,950)**	(4,032)
Net increase in cash and cash equivalents		**638**	6,293	**802**	59
Opening cash and cash equivalents		**17,089**	10,355	**(437)**	(590)
Effects of foreign exchange rates on cash and cash equivalents		**(155)**	441	**(111)**	94
Closing cash and cash equivalents	19	**17,572**	17,089	**254**	(437)

For the purpose of the cash flow statement, cash and cash equivalents include bank overdrafts (see note 19).

The notes on pages 31 to 57 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

2. Summary of significant accounting policies
The principal accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all the 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 29 May 2011 and 30 May 2010. 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 29 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 carrying value.

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

Other intangible assets
Development 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 and 48 months to match the expenditure incurred to the expected revenue generated from the subsequent product release.

Research expenditure is written off as incurred.

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use 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 amortisation rates are:

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

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

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

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

Leasehold 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.

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

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

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

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

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

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

Monetary assets and liabilities expressed in currencies that are not the functional currency are translated into the functional currency at rates of exchange ruling at the balance sheet date. 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 items is more than 12 months from the balance sheet date.

2. Summary of significant accounting policies continued

Derivative financial instruments continued
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.

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.

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

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

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

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

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

Long service benefits
The Group operates a long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

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.

Royalty income
Royalty income is recognised by spreading the guarantees and advances receivable over the term of the licence agreement until it is virtually certain that the level of income from the licence will exceed those guarantees and advances. At this point all guarantees and advances received under the licence are taken immediately to the income statement. All other income receivable is recognised in the income statement by reference to the underlying licensee performance, after allowing for expected returns and price protection claims.

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

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 substantively enacted by the balance sheet date.

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

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

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

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

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

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

Provisions
Provisions are made when:

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

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

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

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

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

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

2. Summary of significant accounting policies continued

Critical accounting estimates and judgements

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

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

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

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

New accounting standards

There are no new standards or amendments to standards which are mandatory for the first time for the financial year ended 29 May 2011 which have a significant impact on the Group.

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

3. Segment information

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

As Games Workshop is a vertically integrated business, management assess the performance of sales businesses and manufacturing and distribution businesses separately. At 29 May 2011, the Group is organised as follows:

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

  - UK. This sales business operates in the UK and Ireland.
  - Continental Europe. This combines the France, Germany, Italy, Spain and the Netherlands sales businesses.
  - North America. This combines the United States and Canada sales businesses.
  - Australia. This is the Australia sales business.
  - Emerging Markets and Japan. This combines the Emerging Markets and Capital Cities and Japan sales businesses.
  - Other. This includes the other operating segments reviewed by the chief operating decision-maker. These are the Forge World business, the Black Library business and Warhammer World.

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

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

- Licensing. This is the net income receivable from third party licensees after deducting directly attributable costs.

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

- Web costs. These are the costs associated with the running of the Games Workshop Global Webstore.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

3. Segment information continued

The segment information reported to the executive directors for the year ended 29 May 2011 is as follows:

	External revenue		Internal revenue		Total	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Sales businesses						
UK	**30,839**	32,594	**-**	-	**30,839**	32,594
Continental Europe	**35,147**	35,974	**-**	-	**35,147**	35,974
North America	**30,250**	31,270	**-**	-	**30,250**	31,270
Australia	**10,630**	10,795	**-**	-	**10,630**	10,795
Emerging Markets and Japan	**7,818**	7,591	**-**	-	**7,818**	7,591
All other sales businesses	**8,368**	8,287	**1,861**	1,214	**10,229**	9,501
Other segments						
Product and supply	**-**	-	**57,725**	55,297	**57,725**	55,297
Total	**123,052**	126,511	**59,586**	56,511	**182,638**	183,022
Intra-group sales eliminations	**-**	-	**(59,586)**	(56,511)	**(59,586)**	(56,511)
Total revenue	**123,052**	126,511	**-**	-	**123,052**	126,511

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

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

	2011	2010
	£000	£000
Operating profit		
Sales businesses		
UK	**4,805**	3,377
Continental Europe	**2,095**	2,050
North America	**3,120**	3,270
Australia	**(406)**	654
Emerging Markets and Japan	**1,025**	1,273
All other sales businesses	**3,215**	3,254
Other segments		
Product and supply	**21,260**	20,345
Total segment operating profit	**35,114**	34,223
Logistics and stock management	**(10,588)**	(10,230)
Licensing	**2,301**	2,546
Service centre costs	**(5,712)**	(4,942)
Web costs	**(1,824)**	(1,937)
Central costs	**(3,823)**	(3,445)
Share-based payments charge	**(141)**	(170)
Total group operating profit	**15,327**	16,045
Finance income	**132**	442
Finance costs	**(89)**	(367)
Profit before taxation	**15,370**	16,120

Internal revenue for product and supply for the year ended 30 May 2010 has been restated since the last annual report from £52,071,000 to £55,297,000 to reflect carriage and warehousing recharges that are now included in the intra-group sales value charged to other segments.

Segment revenue of £4,175,000 and segment operating profit of £1,447,000 for the Scandinavian sales business for the year ended 30 May 2010 have been restated since the last annual report into Emerging Markets and Japan rather than being in Northern Europe. This reflects the management structure in place for the year ended 29 May 2011. The Northern Europe segment has also been renamed as UK following this change.

Certain costs have been reclassified between Continental Europe, product and supply, logistics and stock management and service centre costs for the year ended 30 May 2010 to reflect current management structures. Consequently Continental Europe operating profit has increased from £635,000 to £2,050,000, product and supply operating profit has increased from £19,045,000 to £20,345,000, logistics and stock management operating loss has increased from £6,748,000 to £10,230,000, and service centre operating loss has decreased from £5,709,000 to £4,942,000. Overall Group profit remains unchanged for the year ended 30 May 2010.

Interest income and expense and tax income and expense are not included in the information reported to the executive directors and therefore are not analysed by segment.

3. Segment information continued

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

	Impairment		Depreciation and amortisation	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Sales businesses				
UK	**1**	31	**484**	612
Continental Europe	**22**	41	**587**	736
North America	**28**	67	**747**	767
Australia	**13**	-	**277**	327
Emerging Markets and Japan	**39**	-	**30**	68
All other sales businesses	**-**	-	**1,214**	911
Other segments				
Product and supply	**21**	-	**5,460**	5,395
Logistics and stock management	**540**	-	**637**	855
Web costs	**-**	-	**524**	491
Total	**664**	139	**9,960**	10,162

The impairment charges relate to equipment and fixtures and fittings within loss making Hobby centres (£103,000), impairment of the Group's European distribution hub in Nottingham (£540,000) and impairment of machinery (£21,000) (see note 14). The prior year impairment charges of £139,000 related to fixtures and fittings within loss making Hobby centres.

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

	2011	2010
	£000	£000
Operating expenses		
Sales businesses		
UK	**14,301**	16,296
Continental Europe	**18,978**	19,521
North America	**13,891**	16,812
Australia	**6,081**	5,517
Emerging Markets and Japan	**3,322**	3,010
All other sales businesses	**3,816**	2,837
Other segments		
Product and supply	**8,801**	7,807
Total segment operating expenses	**69,190**	71,800
Logistics and stock management	**817**	256
Licensing	**443**	233
Service centre costs	**5,712**	4,940
Web costs	**1,809**	1,925
Central costs	**3,863**	3,515
Share-based payments charge	**141**	170
Total group operating expenses	**81,975**	82,839

External revenue analysed by customer geographical location is as follows:

	2011	2010
	£000	£000
United Kingdom	**32,650**	35,578
Continental Europe	**43,050**	43,289
North America	**33,526**	34,957
Asia Pacific	**12,703**	11,911
Rest of the World	**1,123**	776
	123,052	126,511

The Group is not reliant on any one individual customer.

3. Segment information continued

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

	2011	2010
	£000	£000
United Kingdom	**23,761**	25,415
All other countries	**5,502**	6,849
Total non-current assets (excluding deferred tax assets)	**29,263**	32,264

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

	Net charge/(credit) to inventory provisions		Impairment of receivables		Redundancy costs and compensation for loss of office		Net (credit)/charge to property provisions	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Sales businesses								
UK	**92**	15	**50**	150	**90**	103	**(39)**	241
Continental Europe	**(1)**	10	**64**	(70)	**389**	397	**25**	(90)
North America	**2**	130	**39**	126	**41**	218	**525**	543
Australia	**20**	118	**16**	(11)	**13**	-	**(17)**	114
Emerging Markets and Japan	**10**	(2)	**-**	20	**42**	3	**88**	138
All other sales businesses	**1**	66	**189**	(143)	**243**	21	**-**	-
Other segments								
Product and supply	**336**	61	**(4)**	(194)	**248**	162	**-**	(164)
Total segment expense/(credit)	**460**	398	**354**	(122)	**1,066**	904	**582**	782
Logistics and stock management	**-**	-	**-**	-	**11**	-	**-**	-
Licensing	**-**	-	**-**	-	**25**	-	**-**	-
Service centre costs	**-**	-	**-**	-	**178**	-	**-**	-
Web costs	**-**	-	**-**	124	**-**	-	**-**	-
Central costs	**-**	(350)	**-**	-	**-**	2	**-**	-
Total group expense	**460**	48	**354**	2	**1,280**	906	**582**	782

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

4. Operating expenses

	2011 £000	2010 £000
Selling costs	**48,860**	49,875
Administrative expenses	**29,137**	29,703
Design and development costs - amortisation	**2,905**	2,438
Design and development costs - not capitalised	**1,073**	823
	81,975	82,839

5. Directors and employees

	2011 £000	2010 £000
Total directors and employees costs:		
Wages and salaries	**42,718**	43,577
Social security costs	**5,261**	5,469
Other pension costs	**1,462**	1,132
Share-based payments	**141**	170
	49,582	50,348

Details of capitalised salary costs, included in the above, are provided in note 13. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 8.

Key management compensation

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

	2011 £000	2010 £000
Salaries and other short-term employee benefits	**1,337**	1,096
Post-employment benefits	**131**	90
Share-based payments	**3**	4
Other employee benefits	**20**	15
	1,491	1,205

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 19 to 22.

Key management are the directors of the Company, the head of global sales and the head of product and supply.

Employee numbers

Monthly average number of employees by activity:	2011 Number	2010 Number
Design and development	**90**	82
Production	**163**	188
Selling:		
- Full time	**1,032**	1,133
- Part time	**233**	275
Administration	**383**	388
	1,901	2,066

6. Finance income

	2011 £000	2010 £000
Interest income:		
- On cash and cash equivalents	**53**	40
- Interest on deferred consideration	**-**	2
- Release of accrual for interest on potential tax liability	**-**	400
- Net foreign exchange gains on financing activities	**76**	-
- Other interest income receivable	**3**	-
	132	442

NOTES TO THE FINANCIAL STATEMENTS continued

7. Finance costs

	2011	2010
	£000	£000
Interest expense:		
- Bank loans and overdrafts	**47**	282
- Unwinding of discount on provisions	**30**	57
- Other interest payable	**12**	-
- Net foreign exchange losses on financing activities	**-**	28
	89	367

8. Profit before taxation

	2011	2010
	£000	£000
Profit before taxation is stated after charging:		
Depreciation:		
- Owned property, plant and equipment	**5,848**	6,770
- Property, plant and equipment under finance leases	**-**	2
- Impairment of property, plant and equipment	**664**	139
Amortisation:		
- Owned computer software	**1,207**	952
- Development costs	**2,905**	2,438
Non-capitalised development costs	**1,073**	823
Impairment of trade receivables	**354**	2
Operating leases:		
- Hobby centres	**10,282**	10,361
- Other property	**1,116**	1,392
- Plant and equipment	**168**	157
- Other	**292**	350
Staff costs (excluding capitalised salary costs and non-capitalised development costs as above)	**46,531**	47,530
Cost of inventories included in cost of sales	**19,286**	18,905
Net inventory provision creation (note 17)	**460**	48
Loss on disposal of property, plant and equipment	**57**	91
Loss on disposal of intangible assets	**61**	18
Redundancy costs and compensation for loss of office	**1,280**	906
Net charge to property provisions including closed or loss making Hobby centres (note 24)	**582**	782

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

	2011	2010
	£000	£000
Audit services		
Audit of the Group and Company's accounts	**61**	61
Other services		
The audit of the Company's subsidiaries pursuant to legislation	**252**	236
Advisory services in respect of the closure of the Group's Shanghai manufacturing operations	**88**	-
All other services	**29**	12
Total services provided	**430**	309

9. Income tax expense

	2011	2010
	£000	£000
Current UK taxation:		
UK corporation tax on profits for the year	**3,957**	1,038
Under/(over) provision in respect of prior years	**134**	(11)
	4,091	1,027
Current overseas taxation:		
Overseas corporation tax on profits for the year	**1,064**	909
Under/(over) provision in respect of prior years	**193**	(228)
Total current taxation	**5,348**	1,708
Deferred taxation:		
Origination and reversal of timing differences	**(1,042)**	(855)
(Over)/under provision in respect of prior years	**(206)**	187
Tax expense recognised in the income statement	**4,100**	1,040

9. Income tax expense continued

	2011	2010
	£000	£000
Deferred tax charge on cash flow hedges	**-**	31
Deferred tax credit relating to sharesave scheme	**(97)**	(80)
Credit taken directly to equity	**(97)**	(49)

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

	2011	2010
	£000	£000
Profit before taxation	**15,370**	16,120
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 27.67% (2010: 28%)	**4,252**	4,514
Effects of:		
Expenses not deductible for tax purposes	**1,207**	148
Movement in provision for tax enquiry	**-**	(1,351)
Movement in deferred tax not recognised	**(122)**	(322)
Deferred tax on losses now recognised	**(1,814)**	(2,060)
Higher tax rates on overseas earnings	**456**	163
Adjustments to tax charge in respect of previous years	**121**	(52)
Total tax charge for the year	**4,100**	1,040

A number of changes to the UK corporation tax system were announced in the June 2010 and March 2011 Budget Statements. The Finance (No 3) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes would not be material to the deferred tax asset recognised at 29 May 2011 as the full reduction in rate to 23% would decrease the deferred tax asset and profit by £65,000.

10. Earnings per share

Basic earnings per share

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

	2011	2010
Profit attributable to equity shareholders (£000)	**11,270**	15,080
Weighted average number of ordinary shares in issue (thousands)	**31,182**	31,131
Basic earnings per share (pence per share)	**36.1**	48.4

Diluted earnings per share

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

	2011	2010
Profit attributable to equity shareholders (£000)	**11,270**	15,080
Weighted average number of ordinary shares in issue (thousands)	**31,182**	31,131
Adjustment for share options (thousands)	**281**	220
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**31,463**	31,351
Diluted earnings per share (pence per share)	**35.8**	48.1

NOTES TO THE FINANCIAL STATEMENTS continued

11. Dividends per share

A dividend of 25 pence per share, amounting to a total dividend of £7,784,000, was paid during the year and a dividend of 20 pence per share, amounting to a total dividend of £6,244,000, was also declared and paid during the year.

A further dividend of 18 pence per share, amounting to a total dividend of £5,620,000, is to be proposed at the annual general meeting on 15 September 2011. These financial statements do not reflect this proposed dividend.

12. Goodwill

	Group £000
Net book amount	
At 31 May 2009, 30 May 2010 and 29 May 2011	**1,433**

The Company had no goodwill at either year end.

Goodwill of £1,159,000 (2010: £1,159,000) arising before 31 May 1998 is fully written off to reserves.

Impairment tests for goodwill

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

In accordance with the requirements of IAS 36 'Impairment of Assets' the Group completed a review of the carrying value of goodwill as at each 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 plans approved by management covering a five year period, with growth no higher than past experience and after consideration of all available information. The estimated future cash flows expected to arise from the continuing use of the assets are calculated using a pre-tax discount rate of 10.1% (2010: 10.1%).

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

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

13. Other intangible assets

Group	Computer software £000	Development costs £000	Total £000
Cost			
At 1 June 2009	8,385	13,023	21,408
Additions	900	2,524	3,424
Exchange differences	197	-	197
Disposals	(291)	-	(291)
Reclassifications	1	-	1
At 30 May 2010 and 31 May 2010	9,192	15,547	24,739
Additions	688	2,692	3,380
Exchange differences	(100)	-	(100)
Disposals	(353)	-	(353)
Reclassifications	(106)	-	(106)
At 29 May 2011	**9,321**	**18,239**	**27,560**
Amortisation			
At 1 June 2009	(5,226)	(10,371)	(15,597)
Amortisation charge	(952)	(2,438)	(3,390)
Exchange differences	(135)	-	(135)
Disposals	273	-	273
Reclassifications	(1)	-	(1)
At 30 May 2010 and 31 May 2010	(6,041)	(12,809)	(18,850)
Amortisation charge	(1,207)	(2,905)	(4,112)
Exchange differences	80	-	80
Disposals	292	-	292
Reclassifications	(2)	-	(2)
At 29 May 2011	**(6,878)**	**(15,714)**	**(22,592)**
Net book amount			
At 30 May 2010	3,151	2,738	5,889
At 29 May 2011	**2,443**	**2,525**	**4,968**

Amortisation of £242,000 (2010: £297,000) has been charged in cost of sales and £3,870,000 (2010: £3,093,000) in operating expenses.

13. Other intangible assets continued

The net book amount of internally generated intangible assets is £2,898,000 (2010: £3,212,000) and acquired intangible assets is £2,070,000 (2010: £2,677,000). All development costs are internally generated and £1,853,000 (2010: £1,995,000) is capitalised salary costs.

Salary costs of £125,000 (2010: £63,000) were capitalised during the year as part of computer software.

There were no assets in the course of construction at either year end.

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

14. Property, plant and equipment

Group	Freehold land and buildings £000	Plant and equipment and vehicles £000	Fixtures and fittings £000	Moulding tools £000	Total £000
Cost					
At 1 June 2009	14,417	17,436	22,083	20,013	73,949
Additions	-	1,102	1,500	1,944	4,546
Exchange differences	-	489	961	140	1,590
Disposals	-	(681)	(1,387)	-	(2,068)
Reclassifications	-	(1)	-	-	(1)
At 30 May 2010 and 31 May 2010	14,417	18,345	23,157	22,097	78,016
Additions	-	1,829	950	1,752	4,531
Exchange differences	-	(337)	(428)	(148)	(913)
Disposals	-	(1,608)	(2,184)	(261)	(4,053)
Reclassifications	-	108	(2)	-	106
At 29 May 2011	**14,417**	**18,337**	**21,493**	**23,440**	**77,687**
Depreciation					
At 1 June 2009	(3,062)	(13,647)	(17,130)	(14,730)	(48,569)
Exchange differences	-	(405)	(733)	(102)	(1,240)
Charge for the year	(403)	(1,713)	(2,438)	(2,218)	(6,772)
Impairment	-	-	(139)	-	(139)
Disposals	-	666	1,301	-	1,967
Reclassifications	-	1	-	-	1
At 30 May 2010 and 31 May 2010	(3,465)	(15,098)	(19,139)	(17,050)	(54,752)
Exchange differences	-	277	323	115	715
Charge for the year	(353)	(1,527)	(1,809)	(2,159)	(5,848)
Impairment	(540)	(26)	(98)	-	(664)
Disposals	-	1,544	2,122	241	3,907
Reclassifications	-	1	1	-	2
At 29 May 2011	**(4,358)**	**(14,829)**	**(18,600)**	**(18,853)**	**(56,640)**
Net book amount					
At 30 May 2010	10,952	3,247	4,018	5,047	23,264
At 29 May 2011	**10,059**	**3,508**	**2,893**	**4,587**	**21,047**

Depreciation expense of £3,279,000 (2010: £3,624,000) has been charged in cost of sales, £1,938,000 (2010: £2,467,000) in selling costs, £600,000 (2010: £645,000) in administrative expenses and £31,000 (2010: £36,000) in design and development costs.

Freehold land amounting to £3,836,000 (2010: £3,836,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £586,000 (2010: £24,000). These are included in moulding tools above.

An impairment loss of £540,000 has been recognised in relation to repair work required to the Group's European distribution hub in Nottingham. This has been charged in selling costs.

An impairment loss of £103,000 (2010: £139,000) relates to equipment and fixtures and fittings within loss making Hobby centres which have been written down to estimated value in use. This has been charged in selling costs in both years.

The remaining impairment loss of £21,000 relates to impairment of machinery and has been charged in cost of sales.

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

NOTES TO THE FINANCIAL STATEMENTS continued

15. Investments in subsidiaries

Company	**2011 £000**	2010 £000
Shares in group undertakings - cost		
Beginning of year	**30,584**	30,441
Additions to investment in subsidiary	**-**	12,753
Disposal of subsidiaries	**-**	(12,450)
Capital contribution relating to share-based payment	**-**	(160)
End of year	**30,584**	30,584

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

On 10 May 2010 the Company disposed of its £12,395,000 investment in the $100,000 preferred stock in Games Workshop America Inc. to Games Workshop International Limited, a subsidiary undertaking, in exchange for one ordinary share in Games Workshop International Limited at a consideration of £12,753,000, based on the fair value of the preferred stock sold.

The Company also disposed of its investments in several of its dormant subsidiary undertakings during the year ended 30 May 2010 following their liquidation.

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
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
Games Workshop US Limited	England and Wales	£1 ordinary		100%	Holding company for US subsidiary companies
Games Workshop US (Holdings) Limited	England and Wales	£1 ordinary		100%	Intermediary holding company for US subsidiary companies

All of the above entities are included in the consolidated accounts for the Group and 100% of the voting rights of all entities is held.
All of the above companies operate principally in their country of incorporation or registration.
The directors consider the value of the investments is supported by the underlying assets of the relevant subsidiary.

16. 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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Deferred tax assets:				
- deferred tax asset to be recovered after more than 12 months	**2,532**	1,455	**5**	3
- deferred tax asset to be recovered within 12 months	**4,333**	4,462	**16**	21
	6,865	5,917	**21**	24

The gross movement on the deferred tax account is as follows:	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Beginning of year	**5,917**	4,704	**24**	23
Exchange differences	**(397)**	496	**-**	-
Income statement credit/(charge)	**1,248**	668	**(3)**	1
Credited directly to profit and loss reserve	**97**	80	**-**	-
Charged to hedging reserve	**-**	(31)	**-**	-
End of year	**6,865**	5,917	**21**	24

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 1 June 2009	1,184	(743)	3,271	992	4,704
Credited/(charged) to the income statement	177	(24)	736	(221)	668
Credited to equity	-	-	-	49	49
Exchange differences	60	-	398	38	496
At 30 May 2010 and 31 May 2010	1,421	(767)	4,405	858	5,917
Credited to the income statement	663	111	76	398	1,248
Credited to equity	-	-	-	97	97
Exchange differences	25	-	(451)	29	(397)
At 29 May 2011	**2,109**	**(656)**	**4,030**	**1,382**	**6,865**

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 £1,000,000 (2010: £3,800,000) in respect of losses amounting to £200,000 (2010: £5,600,000) and other temporary differences of £3,000,000 (2010: £4,500,000) 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 £200,000 will expire during the years 2021 to 2023.

The Group obtained a current tax benefit of £nil (2010: £198,000) from previously unrecognised tax losses.

Company	Accelerated depreciation £000	Other £000	Total £000
At 1 June 2009	4	19	23
(Charged)/credited to the income statement	(1)	2	1
At 30 May 2010 and 31 May 2010	3	21	24
Credited/(charged) to the income statement	2	(5)	(3)
At 29 May 2011	**5**	**16**	**21**

NOTES TO THE FINANCIAL STATEMENTS continued

17. Inventories

Group	**2011 £000**	2010 £000
Raw materials	**1,079**	1,419
Work in progress	**774**	1,173
Finished goods and goods for resale	**6,578**	7,546
	8,431	10,138

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 £731,000 (2010: £1,766,000). Additional provision of £493,000 (2010: £434,000) has been charged to the income statement during the year, of which £397,000 relates to metal stock lines which are no longer sold through our Hobby centres.

During the year ended 29 May 2011, there was an inventory provision release of £33,000 to the income statement. During the year ended 30 May 2010, the Group undertook inventory clearance and inventory streamlining activities, as a result of which an inventory provision of £386,000 was released to the income statement.

The Company holds no inventories at either year end.

18. Trade and other receivables

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Trade receivables	**7,165**	7,329	**-**	-
Less provision for impairment of receivables	**(762)**	(972)	**-**	-
Trade receivables - net	**6,403**	6,357	**-**	-
Prepayments and accrued income	**2,997**	3,636	**48**	93
Other receivables	**2,205**	1,728	**17**	-
Receivables from related parties	**-**	-	**1,236**	2,865
Loans to related parties	**-**	-	**4,120**	5,363
Total trade and other receivables	**11,605**	11,721	**5,421**	8,321
Non-current receivables:				
Trade receivables	**17**	37	**-**	-
Less provision for impairment of receivables	**(17)**	(37)	**-**	-
Trade receivables - net	**-**	-	**-**	-
Prepayments and accrued income	**276**	372	**-**	-
Other receivables	**1,539**	1,306	**-**	-
Loans to related parties	**-**	-	**3,900**	5,363
Non-current portion	**1,815**	1,678	**3,900**	5,363
Current portion	**9,790**	10,043	**1,521**	2,958

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

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

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

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

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

	2011			2010		
	Not impaired £000	**Impaired £000**	**Total £000**	Not impaired £000	Impaired £000	Total £000
Up to 3 months past due	**975**	**110**	**1,085**	458	142	600
3 to 12 months past due	**61**	**196**	**257**	134	263	397
Over 12 months past due	**7**	**271**	**278**	16	472	488
	1,043	**577**	**1,620**	608	877	1,485

In addition to the above, current debt of £185,000 (2010: £95,000) has been impaired.

18. 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 1 June 2009	1,299
Charge for the year	465
Unused amounts reversed	(463)
Receivables written off during the year as uncollectible	(355)
Exchange differences	26
At 30 May 2010 and 31 May 2010	972
Charge for the year	382
Unused amounts reversed	(28)
Receivables written off during the year as uncollectible	(550)
Exchange differences	(14)
At 29 May 2011	**762**

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

	2011 £000	2010 £000
Sterling	**3,502**	3,162
Euro	**3,636**	3,588
US dollar	**2,424**	3,106
Other currencies	**2,043**	1,865
Total trade and other receivables	**11,605**	11,721

19. Cash and cash equivalents

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Cash and cash equivalents	**15,706**	15,393	**254**	-
Short-term bank deposits	**1,866**	1,696	**-**	-
	17,572	17,089	**254**	-

The Group's cash and cash equivalents are repayable on demand and include a right of set-off between sterling and other currencies held in the UK.
Cash and cash equivalents and short-term deposits are floating rate assets which earn interest at various rates with reference to the prevailing interest rates. Short-term deposits have an average maturity of one day.
Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statements (see analysis of net funds/(debt), note 29):

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Cash and cash equivalents	**17,572**	17,089	**254**	-
Bank overdrafts	**-**	-	**-**	(437)
	17,572	17,089	**254**	(437)

20. Financial liabilities - borrowings

Company	**2011 £000**	2010 £000
Current		
Bank overdraft	**-**	437

Interest accrues on bank overdrafts at a floating rate by reference to LIBOR. Bank overdrafts are unsecured and their fair value does not differ from the book value.

The carrying amounts of the Company's borrowings at 30 May 2010 were denominated in the following currencies:

	£000
Sterling	(256)
Euro	1,220
US dollar	(527)
	437

NOTES TO THE FINANCIAL STATEMENTS continued

20. Financial liabilities – borrowings continued

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

		2011				2010			
	Currency	**Effective interest rate at 29 May 11**	**Drawn £000**	**Undrawn £000**	**Total £000**	Effective interest rate at 30 May 10	Drawn £000	Undrawn £000	Total £000
Committed:									
- Medium-term revolving credit facility	sterling	-	-	-	-	2.75%	-	12,000	12,000
			-	-	-		-	12,000	12,000
Uncommitted:									
- Bank overdraft - working capital facility	sterling	**3.00%**	-	**2,500**	**2,500**	3.00%	-	2,500	2,500
Total facilities for the Group			-	**2,500**	**2,500**		-	14,500	14,500

During the year, the Group has cancelled the committed medium-term revolving credit facility of £12,000,000 and the security held over UK assets in respect of this has been released.

The uncommitted working capital facility was renewed during the year at £3,000,000 (including an overdraft facility of £2,500,000) and is subject to annual review. The Group has reviewed its working capital requirements for the following year and the uncommitted working capital facility has been assessed as no longer required.

Bank borrowings attract floating rate interest by reference to sterling base rates.

21. 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 understand the nature and impact of the financial risks and exposures facing the business.

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

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

The Group no longer uses foreign currency borrowings or forward foreign currency contracts to hedge foreign currency risk. The level of the Group's exposure to foreign currency risk is regularly reviewed by the Group's chief operating officer and the Group's treasury policies, including hedging policies, are reviewed to ensure they remain appropriate.

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 currency exchange rates where they are not in the functional currency of the entity that holds them.
- translation of results of overseas subsidiaries is excluded.

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

Group	**2011 Income gain/(loss) £000**	2010 Income gain/(loss) £000
10% appreciation of the US dollar (2010: 25%)	**910**	432
10% appreciation of the euro (2010: 10%)	**(5)**	(144)

A depreciation of the stated currencies would have an equal and opposite effect.
There is no impact on equity gains or losses.

21. Financial risk factors continued

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

Credit risk
Credit risk arises from cash and cash equivalents, 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 with a credit rating of at least 'AA', and by ensuring that such positions are monitored regularly. Credit risk on cash and short-term deposits is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.
There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed. Policies are also in place to ensure the wholesale sales of products are made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate provision made for bad and doubtful debts (note 18). Provision requirements are determined with reference to ageing of invoices, credit history and other available information.
Sales made through our own Hobby centres or via direct are made in cash or with major credit cards.

Capital risk
The capital structure of the Group consists of net funds (see note 29) and shareholders' equity (see note 27). The Group manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. The Group's objective is not to use long-term debt to finance the business. Overdraft facilities will be used to finance the working capital cycle where required.
The Group manages its capital structure and makes adjustments to it in light of changes to economic conditions and its strategic objectives. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, buy back shares and cancel them or issue new shares.

Liquidity risk
Liquidity is managed by maintaining sufficient cash and availability of funding through an adequate amount of working capital 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.
The undiscounted contractual maturity dates of the Group's financial liabilities, including interest charges where applicable, are shown below. All trade payables are contractually due within 12 months and therefore the fair values do not differ from their carrying values.

	2011				2010			
Group	**Within 1 year £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	**More than 5 years £000**	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000
Trade and other payables	**10,093**	**-**	**-**	**-**	12,366	-	-	-
Provisions for redundancies and property	**1,011**	**578**	**607**	**29**	1,545	352	619	117
	11,104	**578**	**607**	**29**	13,911	352	619	117

	2011			2010		
Company	**Within 1 year £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Bank overdrafts	**-**	**-**	**-**	437	-	-
Trade and other payables	**316**	**-**	**-**	383	-	-
Payables due to related parties	**1**	**-**	**-**	1,524	-	4,871
	317	**-**	**-**	2,344	-	4,871

Financial instruments by category

	Group Loans and receivables		Company Loans and receivables	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Financial assets as per balance sheet				
Trade receivables	**6,403**	6,357	**-**	-
Accrued income	**167**	648	**-**	-
Other receivables	**2,199**	1,706	**17**	-
Receivables from related parties	**-**	-	**1,236**	2,865
Loans to related parties	**-**	-	**4,120**	5,363
Cash and cash equivalents	**17,572**	17,089	**254**	-
Total	**26,341**	25,800	**5,627**	8,228

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

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial risk factors continued

	Group Financial liabilities at amortised cost		Company Financial liabilities at amortised cost	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Financial liabilities as per balance sheet				
Borrowings	**-**	-	**-**	437
Trade payables	**3,028**	3,418	**78**	168
Payables due to related parties	**-**	-	**1**	61
Loans from related parties	**-**	-	**-**	6,334
Other payables	**2,576**	3,569	**12**	36
Accruals	**4,489**	5,379	**226**	179
Total	**10,093**	12,366	**317**	7,215

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

22. Trade and other payables

	Group		Company	
	2011	2010	**2011**	2010
Current	**£000**	£000	**£000**	£000
Trade payables	**3,028**	3,418	**78**	168
Payables due to related parties	**-**	-	**1**	61
Loans from related parties	**-**	-	**-**	1,463
Other taxes and social security	**1,815**	1,545	**36**	24
Other payables	**2,576**	3,569	**12**	36
Accruals	**4,130**	5,434	**226**	179
Deferred income	**2,334**	1,584	**-**	-
	13,883	15,550	**353**	1,931

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

23. Other non-current liabilities

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Accruals	**430**	544	**-**	-
Deferred income	**4**	38	**-**	-
Loans from related parties	**-**	-	**-**	4,871
	434	582	**-**	4,871

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

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

	2011	2010
	£000	£000
Sterling	**5,815**	7,041
Euro	**3,367**	3,118
US dollar	**3,474**	4,554
Other currencies	**1,661**	1,419
Total trade and other payables and non-current liabilities	**14,317**	16,132

24. Provisions

Analysis of total provisions:

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Current	**1,384**	1,848	**-**	12
Non-current	**1,677**	1,442	**6**	5
	3,061	3,290	**6**	17

Group	Redundancy £000	Employee benefits £000	Property £000	Total £000
At 31 May 2010	243	858	2,189	3,290
Charged/(credited) to the income statement:				
- Additional provisions	-	201	1,024	1,225
- Unused amounts reversed	(33)	(63)	(442)	(538)
Exchange differences	(11)	25	(92)	(78)
Discount unwinding (note 7)	-	-	30	30
Utilised	(139)	(61)	(668)	(868)
At 29 May 2011	**60**	**960**	**2,041**	**3,061**

Company	Employee benefits £000	Total £000
At 31 May 2010	17	17
Charged to the income statement:		
- Additional provisions	1	1
Utilised	(12)	(12)
At 29 May 2011	**6**	**6**

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

Employee benefits

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

Property provisions

Property provisions relate to property dilapidations and to committed costs outstanding under onerous or vacant lease commitments and will diminish over the lives of the underlying leases. The above provision is expected to be utilised by 2017. The estimated liability is discounted to its present value using a discount rate of 4.6% (2010: 4.6%).

Redundancy provisions

Redundancy provisions relate to various outstanding redundancy payments. The provisions are expected to be utilised by the end of 2012.

NOTES TO THE FINANCIAL STATEMENTS continued

25. Share capital

Group and Company	Number of shares (thousands)	Ordinary shares £000	Share premium account £000	Total £000
At 31 May 2010	31,135	1,557	7,837	9,394
Shares issued under employee sharesave scheme	87	4	211	215
At 29 May 2011	**31,222**	**1,561**	**8,048**	**9,609**

During the year 86,589 ordinary shares were issued (2010: 6,192). The total authorised number of shares is 42,000,000 shares (2010: 42,000,000 shares) with a par value of 5p per share (2010: 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:

	No of shares		Exercise price in	
Date granted	**2011**	2010	pence per share	Exercise dates
1 October 2007	**-**	73,585	262.3p	Nov 2010 to Apr 2011
29 September 2008	**361,365**	410,331	191.2p	Nov 2011 to Apr 2012
29 September 2008	**2,646**	6,382	199.8p	Nov 2011 to Apr 2012
1 October 2008	**-**	10,884	199.7p	Nov 2010
28 September 2009	**148,020**	166,433	220.7p	Nov 2012 to Apr 2013
1 October 2009	**5,245**	6,479	248.6p	Nov 2011
27 September 2010	**146,929**	-	340.7p	Nov 2013 to Apr 2014
27 September 2010	**2,594**	-	346.4p	Nov 2013 to Apr 2014
1 October 2010	**7,507**	-	367.6p	Nov 2012
	674,306	674,094		

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

	2011 Approved and unapproved share schemes	2010 Approved and unapproved share schemes
At start of year	**674,094**	646,403
Granted	**165,880**	179,928
Forfeited	**(79,079)**	(146,045)
Exercised	**(86,589)**	(6,192)
At end of year	**674,306**	674,094

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

	2011	2010
At start of year	**207p**	215p
Granted	**342p**	222p
Forfeited	**222p**	261p
Exercised	**248p**	255p
At end of year	**233p**	207p

Out of the 674,306 outstanding options (2010: 674,094 options), no options (2010: no options) were exercisable at 29 May 2011.

25. Share capital continued

IFRS 2, 'Share-based payment' requires the fair value of all share options granted after 7 November 2002 to be charged to the income statement. For options granted after 7 November 2002, the fair value of the option must be assessed on the date of each grant.
The fair value of share options granted is determined using the Black-Scholes valuation model. The significant inputs into the model were as follows:

Group and Company	Share price (pence)	Option exercise price (pence)	Vesting period	Option life	Expected volatility	Risk free rate of return (%)	Dividend yield (%)	Fair value per option (pence)
Employee sharesave schemes:								
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2006 granted options non-US and French employees	389p	292.6p	36mths	42 mths	31%	4.8%	4.9%	112.4p
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
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2009 granted options non-US employees	297p	220.7p	36 mths	42 mths	48%	4.6%	-	138.9p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2009 granted options US employees	297p	248.6p	24 mths	24 mths	51%	4.6%	-	110.7p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2010 granted options non-US and French employees	450p	340.7p	36 mths	42 mths	47%	4.2%	5.6%	153.3p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2010 granted options US employees	434p	367.6p	24 mths	24 mths	45%	4.2%	5.6%	117.7p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2010 granted options French employees	450p	346.4p	36 mths	42 mths	47%	4.2%	5.6%	151.1p

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

26. Other reserves

	2011				2010			
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**	**4,671**	**(1,050)**	**3,722**	101	2,786	(1,050)	1,837
Exchange differences on translation of foreign operations	**-**	**(981)**	**-**	**(981)**	-	1,885	-	1,885
End of year	**101**	**3,690**	**(1,050)**	**2,741**	101	4,671	(1,050)	3,722

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

As at 29 May 2011 the Company's capital redemption reserve was £101,000 (2010: £101,000). The Company had no other reserves in addition to the capital redemption reserve at either year end.

NOTES TO THE FINANCIAL STATEMENTS continued

27. Retained earnings

Group	Hedging reserve £000	Profit and loss £000	Total £000
At 1 June 2009	(81)	26,857	26,776
Profit attributable to equity shareholders	-	15,080	15,080
Cash flow hedges:			
- transfers to net profit (cost of sales)	112	-	112
Deferred tax	(31)	80	49
Share-based payments	-	170	170
At 30 May 2010 and 31 May 2010	-	42,187	42,187
Profit attributable to equity shareholders	-	11,270	11,270
Deferred tax	-	97	97
Share-based payments	-	141	141
Dividends approved and paid in the year to 29 May 2011	-	(14,028)	(14,028)
At 29 May 2011	**-**	**39,667**	**39,667**

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £1,159,000 (2010: £1,159,000).

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

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Operating profit/(loss)	**15,327**	16,045	**(2,274)**	(941)
Depreciation of property, plant and equipment	**5,848**	6,772	**-**	-
Net impairment charge on property, plant and equipment	**664**	139	**-**	-
Loss on disposal of property, plant and equipment (see below)	**57**	91	**-**	-
Loss on disposal of intangible assets (see below)	**61**	18	**-**	-
Profit on disposal of investment in subsidiary undertaking	**-**	-	**-**	(358)
Loss on liquidation of subsidiary undertaking	**-**	-	**-**	55
Amortisation of capitalised development costs	**2,905**	2,438	**-**	-
Amortisation of other intangibles	**1,207**	952	**-**	-
Waiver of amounts owed to related parties	**-**	-	**-**	(889)
Share-based payments	**141**	170	**-**	-
Dividend income from investment in subsidiary undertaking	**-**	-	**19,600**	3,500
Changes in working capital:				
- Decrease in inventories	**1,432**	1,004	**-**	-
- (Increase)/decrease in trade and other receivables	**(49)**	122	**2,505**	2,162
- (Decrease)/increase in trade and other payables	**(1,582)**	1,601	**(70)**	561
- (Decrease)/increase in provisions	**(186)**	435	**(11)**	5
Net cash from operating activities	**25,825**	29,787	**19,750**	4,095

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

	2011 £000	2010 £000
Net book amount	**146**	101
Loss on sale of property, plant and equipment	**(57)**	(91)
Proceeds from sale of property, plant and equipment	**89**	10

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

The Group disposed of intangible assets with a net book amount of £61,000 during the year (2010: £18,000). There were no proceeds on disposal in either year and hence a loss on disposal equivalent to the net book amount was recorded.

The Company sold no other intangibles during either year.

29. Analysis of net funds/(debt)

Group	As at 30 May 2010 £000	Cash flow £000	Exchange movement £000	**As at 29 May 2011 £000**
Cash at bank and in hand	17,089	638	(155)	**17,572**
Net funds	17,089	638	(155)	**17,572**

Company	As at 30 May 2010 £000	Cash flow £000	Exchange movement £000	**As at 29 May 2011 £000**
(Current borrowings - bank overdraft)/cash at bank and in hand	(437)	802	(111)	**254**
Net (debt)/funds	(437)	802	(111)	**254**

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

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Increase in cash and cash equivalents in the year resulting from cash flows	**638**	6,293	**802**	59
Cash outflow from decrease in debt and lease financing	**-**	12,002	**-**	12,000
Change in net funds/(debt) resulting from cash flows	**638**	18,295	**802**	12,059
Exchange movement	**(155)**	441	**(111)**	94
Net funds/(debt) at start of year	**17,089**	(1,647)	**(437)**	(12,590)
Net funds/(debt) at end of year	**17,572**	17,089	**254**	(437)

31. Commitments

Capital commitments

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

Group	**2011 £000**	2010 £000
Property, plant and equipment	**814**	199

The Company had no capital commitments at either year end.

Operating lease commitments

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

	2011			2010		
Group	**Hobby centres £000**	**Other property £000**	**Other £000**	Hobby centres £000	Other property £000	Other £000
Within 1 year	**8,820**	**1,068**	**239**	9,154	1,457	360
Between 2 and 5 years inclusive	**15,696**	**2,302**	**267**	21,477	3,249	322
In over 5 years	**876**	**29**	**-**	4,371	241	-
	25,392	**3,399**	**506**	35,002	4,947	682

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

Inventory purchase commitments

Group	**2011 £000**	2010 £000
Raw materials	**1,341**	365

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

Pension arrangements

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

NOTES TO THE FINANCIAL STATEMENTS continued

32. Contingencies

The Group and Company had no contingent liabilities that are expected to give rise to material liabilities at either year end.
The Group has contingent liabilities in respect of 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 £601,000 (2010: £963,000).

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

The Company has also guaranteed the bank overdrafts of certain Group undertakings for which the aggregate amount outstanding under these arrangements at the balance sheet date was £6,054,000 (2010: £652,000).

33. Related-party transactions

During the year the Company provided management and similar services to Games Workshop Limited, a subsidiary undertaking. During the year ended 30 May 2010 the Company provided such 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	**2011 £000**	2010 £000
Games Workshop America Inc.	Recharges	**-**	79
Games Workshop US Manufacturing LLC	Interest payable	**-**	(33)
EURL Games Workshop	Recharges	**-**	62
	Interest payable	**(4)**	(30)
Games Workshop SL	Recharges	**-**	29
Games Workshop Oz Pty Limited	Recharges	**-**	9
	Interest payable	**-**	(43)
Games Workshop Deutschland GmbH	Recharges	**-**	63
	Interest payable	**-**	(20)
Games Workshop Italia SRL	Recharges	**-**	27
	Interest receivable	**15**	11
Games Workshop International Limited	Interest payable	**-**	(9)
	Dividends receivable	**5,100**	3,500
	Profit on disposal of investment in subsidiary undertaking	**-**	358
Games Workshop (Queen Street) Limited	Recharges	**-**	4
	Interest payable	**-**	11
Games Workshop Limited	Recharges	**395**	41
	Interest receivable	**-**	157
	Dividends receivable	**14,500**	-
Games Workshop Productions Limited	Inter-company balance waived	**-**	889

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Games Workshop Group PLC Employee Share Trust	**40**	38	**-**	-
Games Workshop Limited	**870**	2,421	**-**	-
Games Workshop America Inc.	**170**	266	**-**	-
Games Workshop US Manufacturing LLC	**-**	-	**-**	(5)
EURL Games Workshop	**23**	1	**-**	-
Games Workshop SL	**3**	7	**-**	-
Games Workshop Oz Pty Limited	**19**	20	**-**	-
Games Workshop Deutschland GmbH	**9**	65	**-**	-
Games Workshop (Shanghai) Co. Limited	**5**	4	**-**	-
Games Workshop International Limited	**29**	-	**-**	(55)
Games Workshop (Queen Street) Limited	**1**	13	**-**	-
Games Workshop Italia SRL	**67**	30	**-**	-
Citadel Miniatures Limited	**-**	-	**(1)**	(1)
	1,236	2,865	**(1)**	(61)

33. Related-party transactions continued

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	2011	2010	**2011**	2010
Subsidiary	**£000**	£000	**£000**	£000
EURL Games Workshop	**-**	-	**-**	(1,463)
Games Workshop Italia SRL	**220**	-	**-**	-
	220	-	**-**	(1,463)

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	2011	2010	**2011**	2010
Subsidiary	**£000**	£000	**£000**	£000
Games Workshop Interactive Limited	**6,779**	6,779	**-**	-
Less provision for impairment	**(6,779)**	(6,779)	**-**	-
Games Workshop Limited	**3,900**	3,900	**-**	-
Games Workshop Italia SRL	**-**	1,463	**-**	-
Games Workshop US (Holdings) Limited	**-**	-	**-**	(4,871)
	3,900	5,363	**-**	(4,871)

FIVE YEAR SUMMARY

	2011	2010	2009*	2008*	2007*
	£000	£000	£000	£000	£000
Continuing operations					
Revenue	**123,052**	126,511	125,706	110,345	109,501
Continuing operations					
Operating profit - pre-exceptional and pre-royalties receivable	**12,789**	12,989	5,462	3,184	711
Exceptional items - cost reduction programme	**-**	-	-	(2,365)	(4,028)
Royalties receivable	**2,538**	3,056	3,471	1,736	1,423
Operating profit/(loss)	**15,327**	16,045	8,933	2,555	(1,894)
Finance income	**132**	442	333	425	326
Finance costs	**(89)**	(367)	(1,808)	(1,918)	(1,110)
Profit/(loss) before taxation	**15,370**	16,120	7,458	1,062	(2,678)
Income tax expense	**(4,100)**	(1,040)	(2,107)	(613)	(622)
Profit/(loss) attributable to equity shareholders - continuing	**11,720**	15,080	5,351	449	(3,300)
Profit/(loss) attributable to equity shareholders - discontinued	**-**	-	118	(1,186)	(291)
Basic earnings/(loss) per ordinary share	**36.1p**	48.4p	17.6p	(2.4)p	(11.5)p

*The results for the financial years ended 2009, 2008 and 2007 were restated during the year ended 30 May 2010 following the adoption of the amendment to IFRS 2.

FINANCIAL CALENDAR

Annual general meeting	15 September 2011
Announcement of half year results	January 2012
Financial year end	3 June 2012
Announcement of final results	July 2012

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Games Workshop Group PLC (the 'Company') will be held at the Company's registered office, Willow Road, Lenton, Nottingham, NG7 2WS at 10.00am on 15 September 2011 for the following purposes:

Ordinary business
As ordinary business to consider and, if thought fit, to pass the following resolutions 1 to 8 as ordinary resolutions:

Resolution 1
To receive the Company's annual accounts for the financial year ended 29 May 2011 together with the directors' report, the remuneration report and the auditor's report on those accounts, the auditable part of the remuneration report and the directors' report.

Resolution 2
To declare a dividend of 18 pence per ordinary share.

Resolution 3
To re-elect T H F Kirby as a director.

Resolution 4
To re-elect K D Rountree as a director.

Resolution 5
To re-elect C J Myatt as a director.

Resolution 6
To re-elect N J Donaldson as a director.

Resolution 7
To re-appoint PricewaterhouseCoopers LLP as auditors to hold office until the conclusion of the next general meeting at which accounts are laid by the Company and to authorise the directors to fix their remuneration.

Resolution 8
To approve the remuneration report for the year ended 29 May 2011.

Special business
To consider and, if thought fit, pass the following resolutions, of which resolution 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions.

Resolution 9
That the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Relevant Securities (as defined below) up to an aggregate nominal amount of £520,368 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 14 December 2012 or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities. Relevant Securities means: (i) shares in the Company other than shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act), a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security or a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; (ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

NOTICE OF ANNUAL GENERAL MEETING continued

Resolution 10

That subject to the passing of resolution 9 above, the directors of the Company be given the general power pursuant to sections 570 to 573 of the Companies Act 2006 (the 'Act') to allot or make offers or agreements to allot equity securities for cash, either pursuant to the authority conferred by resolution 8 above or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

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

(b) the allotment of equity securities up to an aggregate nominal amount of £78,055.

The power granted by this resolution will expire on 14 December 2012 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities. For the purposes of this resolution the expression 'equity securities' and references to 'allotment of equity securities' respectively have the meanings given to them in section 560 of the Act.

Resolution 11

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

(a) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 14 December 2012 whichever is the earlier;

(b) the maximum aggregate number of ordinary shares that may be purchased is 4,652,097 ;

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

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

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

(f)

By order of the board

R F Tongue
Company secretary
25 July 2011
Registered Office:
Willow Road, Lenton
Nottingham
NG7 2WS
Registered in England and Wales No. 2670969

NOTES

1. Only those members registered on the Company's register of members at 6.00 pm on 13 September 2011 or, if this meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this document. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the proxy form.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6ZR so as to be received no later than 48 hours before the time fixed for holding the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. The cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6ZR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6ZR no later than the time fixed for holding the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
10. Appointment of a proxy does not preclude you from attending the meeting and voting in person.
11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
12. As at 22 July 2011 (being the last practical date prior to the publication of this notice), the Company's issued share capital comprised 31,222,133 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 22 July 2011 is 31,222,133. The website referred to in note 21 will include information on the number of shares and voting rights.
13. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') you may have a right under an agreement between you and the member of the Company who has nominated you (a 'Relevant Member') to have information rights to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
14. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.
15. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; (c) the request may be in hard copy form or in electronic form (see note 19 below), must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported, must be authenticated by the person or persons making it (see note 19 below); and must be received by the Company not later than 6 weeks before the meeting to which the request relates.

NOTICE OF ANNUAL GENERAL MEETING continued

16. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (a) the matter of business must not be defamatory of any person, frivolous or vexatious, (b) the request may be in hard copy form or in electronic form (see note 19 below), must identify the matter of business by setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the persons or person making it (see note 19 below) and must be received by the Company not later than 6 weeks before the meeting to which the request relates.
17. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at note 18 below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website, and the statement may be dealt with as part of the business of the meeting. The request may be in hard copy form or in electronic form (see note 19 below), either set out the statement in full, or if supporting a statement sent by another member, clearly identify the statement which is being supported, must be authenticated by the person or persons making it (see note 19 below), and be received by the Company at least one week before the meeting.
18. In order to be able to exercise the members' right to require circulation of a resolution to be proposed at the meeting (see note 15); a matter of business to be dealt with at the meeting (see note 16) or the Company to publish audit concerns (see note 17), the relevant request must be made by a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company, or at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 12 above and the website referred to in note 21.
19. Where a member or members wishes to request the Company to circulate a resolution to be proposed at the meeting (see note 15), include a matter of business to be dealt with at the meeting (see note 16) or publish audit concerns (see note 17) such request must be made in accordance with one of the following ways: (a) a hard copy request which is signed by you, which states your full name and address and is sent to Rachel Tongue, Games Workshop Group PLC, Willow Road, Lenton, Nottingham NG7 2WS; or (b) a request which states your full name and address, and is sent to rachel.tongue@games-workshop.co.uk. Please state 'AGM' in the subject line of the e-mail.
20. Under section 319A of the Companies Act 2006 the Company must answer any question you ask relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, the answer has already been given on a website in the form of an answer to a question or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from http://investor.games-workshop.com.
22. The following documents will be available for inspection for at least 15 minutes prior to the meeting and during the meeting: (a) copies of the service contracts of executive directors of the Company and (b) copies of the service agreements of the independent directors of the Company.
23. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

24. As an alternative to completing a hard copy proxy form, a shareholder can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. Shareholders will need their voting ID, task ID and shareholder reference number (this is the series of numbers printed under their name on the proxy form). Alternatively, if a shareholder has already registered with Equiniti Limited's online portfolio service, Shareview, they can submit a proxy form at www.shareview.co.uk. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 48 hours before the time fixed to hold the meeting. Any electronic communication sent by a shareholder to the Company or the registrar that is found to contain a computer virus will not be accepted.