GAMES WORKSHOP GROUP PLC

Annual report 2010

FINANCIAL HIGHLIGHTS

	2010	2009
Revenue	**£126.5m**	£125.7m
Revenue at constant currency*	**£121.8m**	£125.7m
Operating profit - pre-royalties receivable	**£13.0m**	£5.5m
Royalties receivable	**£3.1m**	£3.5m
Operating profit	**£16.1m**	£9.0m
Pre-tax profit	**£16.1m**	£7.5m
Year end net funds/(borrowings)	**£17.1m**	£(1.6)m
Earnings per share	**48.4p**	17.6p
Proposed gross dividend per share	**25.0p**	-

CONTENTS

*Constant currency revenue is calculated by comparing results in the underlying currencies for 2009 and 2010, both converted at the 2009 average exchange rates as set out on page 9

CHAIRMAN'S PREAMBLE

To the outside observer we have had a number of different brokers during our life as a public company - a bewildering number just recently - but to us there was little or no change. We were simply following our corporate adviser Shaun Dobson around as mergers, bankruptcies and global meltdowns shuffled the City deck. Recently we moved for the first time to a house where Shaun does not work. We felt it was time and we are now represented by KBC Peel Hunt. Even though we say goodbye to Shaun as an adviser I hope that we never say goodbye to the man. Thank you, Shaun.

That change coincides with another one. We are changing the way we interact with shareholders. Like most public companies we have spent a few weeks of every year criss-crossing the byways of the Square Mile to attend meetings. Not all of them useful. We had meetings because brokers need clients, meetings because people are curious about this weird little company, meetings to fill in time, meetings for those who want to get in early on some surge of popularity (like movies), meetings with those who once played role play games and want to say hello, and even some meetings with long-term shareholders who want to understand the business. From now on we plan to hold such meetings at our Nottingham HQ. Those who truly care will want to come and see the place and meet more than just me, Mark and Kevin. Those who don't, won't.

It would be disingenuous of me to pretend that those meetings were tedious. Some were very enjoyable, and we had many laughs, but in the end our time is better used running the business.

Not all the meetings were fun, however, particularly when we were letting our owners down recently. We got some appropriate tellings-off, not least of which was from one of our more gentlemanly interlocutors who always offers me tea. He seriously but politely pointed out to us how we should be taking cost out of the business. He was right and I knew it. I was wrestling with that very thing and frustrated because no one else seemed to be. Due to its growth and international nature the business was run federally and I was relying on those local leaders to do the right thing and remove unnecessary cost out of their businesses. It didn't happen and it took a lot of changes all across the senior management to get the improvements that were needed.

That is where we are today; a leaner, more efficient business, but still not showing good growth.

Lean means cash, and we have some which is truly surplus. It is yours and we will be giving it back to you this autumn, assuming the AGM agrees. My definition of 'truly surplus' is simply all the money there is left over after we have opened all the stores we can, recruited all the new store managers and operators we can, bought all the kit we need, paid for all the shop fits, built and repaired the buildings, paid our debts and kept enough to oil the wheels appropriately.

Where does that leave us? Pretty much where we have always been: a small, steady-growth company that will pay a dividend when it has the cash. The difference now is we are not going to make promises about the dividend - once bitten, twice shy. Shareholders who look for a predictable dividend on their shares might want to look elsewhere.

The royalty we have earned this year is down a little. That will not surprise those of you who follow the fortunes of computer games companies. It seems they are going through another phase of change. From Sinclair ZXs, to Atari STs, to Commodore 64s to PCs to consoles and now, apparently, to Facebook and the iPhone. How different their world is to ours. In all that time we have simply carried on making miniatures and encouraging people to collect, convert, paint and play with them. I trust it is ever thus!

Tom Kirby
Chairman
26 July 2010

CEO's COMMENTARY

Our strategy
I am often asked about our strategy. We have a simple strategy at Games Workshop. We make the best fantasy miniatures and games in the world and sell them globally at a profit. Simple, but every part of this statement is important.

We make things. We are a manufacturer. Not a retailer. We do have outlets in retail locations. We call these Games Workshop Hobby centres because they show customers how to engage with our hobby of collecting, painting and playing with our miniatures and games. They are the front end of our manufacturing business. If our Hobby centres do a great job, we will recruit lots of customers into our hobby and they will enjoy spending their money on the products we make.

The products we make for our customers are the best in the wargaming world. This is because everyone at Games Workshop is passionate about our Hobby. Every year we seek new and better ways of making our products and improving the quality. This is not simply a personal obsession; it also makes good business sense. We know that, for a niche like ours, people who are interested in collecting fantasy miniatures will choose the best quality and be prepared to pay what they are worth.

The games are a key part of both our hobby and our business model. Our games are played between people present in a room (a Hobby centre, a club, a school), not with a screen. Our games are truly social and build a real sense of community and comradeship. This again makes good business sense. The more fun and enjoyable we make our games, the more customers we attract and retain, and the more miniatures our customers want to buy. This in turn allows us to reinvest in making more and more exciting miniatures and games, which creates a virtuous circle for all.

We are also clear that we will only make fantasy miniatures, not historical ones. Fantasy miniatures from our own Warhammer and Warhammer 40,000 worlds allow us unlimited scope for product innovation. In addition, we can, and do, defend our intellectual property rigorously against imitators, thus ensuring that our worlds are synonymous with quality.

Our customers are global. People with our particular hobby gene, namely collecting, painting and playing with fantasy soldiers, exist all over the world. Our job is to find them. In developed markets we like to do this ourselves through our own Games Workshop Hobby centres. Here we employ wonderful young men and women, who are recruited for their enthusiasm and willingness to help others. Our Hobby centre managers are quite literally that: the centre for the Hobby in their local community and it is their behaviour and attitude that determine our success in that location.

Because it takes time and care to find the right person to run a Games Workshop Hobby centre, it will take us many years to get the global penetration we want to achieve. So, in order to improve our coverage today, we seek out other businesses which can help us get to the places where our hobbyists may be found. The best businesses at helping us are independent shops, run by owners who know their customers and offer them a good personal service. We call these Stockists and we supply them with an easy to manage range of our fastest selling products, which we resupply every month.

For emerging markets in Eastern Europe, Asia and South America we work through experienced local distributors to ensure our product is available through their local networks of retailers. And, of course, in all these locations, we also have the Games Workshop Webstore, which gives customers a huge amount of information on the Hobby and access to our entire range of products with a fast and efficient delivery service wherever they live in the world.

Finally, we know that if we want Games Workshop to be around for a long time, we have to deliver all this profitably. This is why we are cost conscious. We no longer spend money on things we don't need, like expensive offices or prime rent shopping locations or advertising that speaks to the mass market rather than our small band of loyal followers. We only invest where it makes a positive improvement to our business model, such as in tooling to make better plastic miniatures, in opening more Hobby centres to improve our customer service and in fit-for-purpose systems to make our processes more efficient and reliable. And when we make an investment, we measure its impact to ensure that it delivers an improved return on capital for our owners.

Our continual investment in product quality, using our defendable intellectual property, provides us with a considerable barrier to entry for potential competitors: it is our Fortress Wall. While our 382 Hobby centres which show customers how to collect, paint and play with our miniatures and games provide another barrier to entry: our Fortress Moat. We have been building our Fortress Wall and Moat for many years and the competitive advantage they provide gives us confidence in our ability to grow profitably in the future.

Even though we have been in the UK for 35 years, we still see opportunities for growth here with smaller one man Hobby centres in market towns and suburbs of large cities. Compared to the UK, every other country is for us still a "green field" territory. This means we believe we can keep on growing steadily, using the same tried and tested approach of recruiting and retaining customers by opening Games Workshop Hobby centres, supported by the Games Workshop Webstore and independent Stockist accounts across the globe. With this growth we should be able to put more volume through our dedicated manufacturing and warehouse facilities ensuring that our gross margin continues to improve.

That's our core business strategy.

Our strategy continued

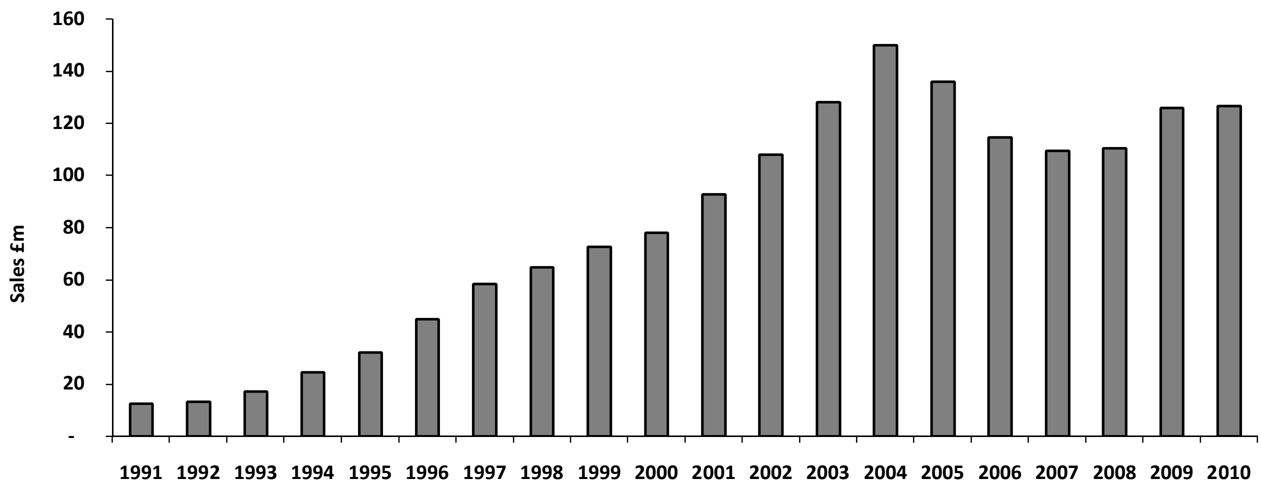
Aside from our core business, a number of commentators have recently become quite excited about the opportunity to use Games Workshop's intellectual property in other markets such as computer games. Indeed, we have already begun to generate royalty income from a small number of such games.

Where we think we can generate additional income for our shareholders from our intellectual property we will pursue these opportunities. However, we impose a number of important conditions. First, the products have to be of a high quality in their genre: we don't want to devalue our IP in the pursuit of short-term cash. Secondly, we must retain control of the IP. Thirdly, they must be significant enough for us to devote valuable management time to them.

In order to ensure that these opportunities do not distract the main Hobby business, we manage our licensing business separately, with a dedicated and single minded team. We believe this is the best way to ensure we continue to deliver good long-term returns to our owners.

Our results for 2009/10

Long-term growth



Sales are down on last year on a constant currency basis despite strong growth from the new Games Workshop Webstore. We increased the number of Hobby centres by 27 stores during the year, but the growth from these was not able to offset the decline in existing stores. Although there was some improvement in the second half, achieving consistent like for like ('LFL') growth in Hobby centres is currently our main focus. More on this later.

Northern Europe and North America both showed growth in the year, while Continental Europe continued to decline, although at a slower rate than in previous years. Australia had a disappointing second half, as some of its key managers were redeployed to share their experience and training techniques with other territories.

Our two specialist businesses, Forge World and Black Library, continue to perform well. Black Library had a number of bestsellers in both the UK and the US science fiction charts and Forge World has recently relaunched its website to improve the efficiency of processing its growing order book.

Gross margins have strengthened considerably from 71.4% to 75.4% on a constant currency basis. The quality of product we have released has both surprised and delighted our customers. We have increased our prices to reflect the additional investment and value we have built into these new releases.

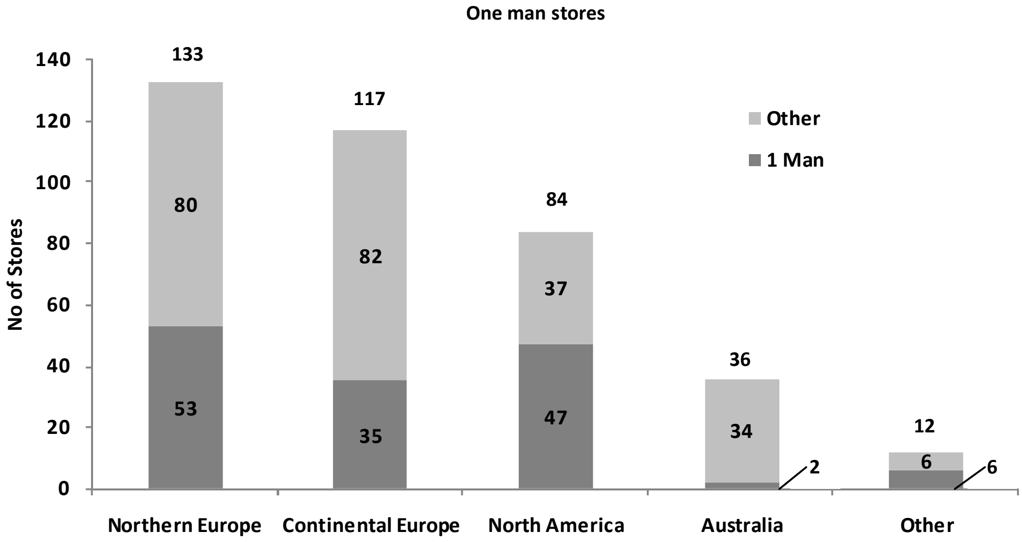
The constant search for efficiencies and improvements in the manufacturing process has continued, delivering headcount savings in the factory and improved terms from suppliers, noticeably carriage. The professionalism and work ethic in our design and manufacturing teams are capable of offsetting uncertainty over raw material costs.

Costs have been reduced on a constant currency basis by £4.3 million to £80.0 million, after recognising the profit share cost of £1.8 million. This is a result of the culture of cost consciousness we have re-created at Games Workshop in recent years. We set ourselves the objective to pay off our borrowings this year and we asked staff to accept a salary freeze to allow us to do that. This they agreed to do and it is good to be able to report we are now debt free. We resumed normal pay reviews in the current year, and I am delighted that all employees earned their full profit share of £1,000 each (before tax) under our new scheme.

CEO's COMMENTARY continued

Our results for 2009/10 continued

We continue to look for ways to improve the profitability of our Hobby centres. We have selectively reduced staffing levels in both Hobby centres and in regional management roles to ensure we will be able to operate profitable stores in all locations. We negotiate hard on each rent and, where increases have made a location uneconomic, we have relocated to a lower rent location nearby. The recent work we have done to reduce the cost of shopfitting a Hobby centre has made the option to relocate much more attractive. We have also negotiated changes to our opening hours to allow us to operate more of our one-man stores, of which there are now 143 worldwide.



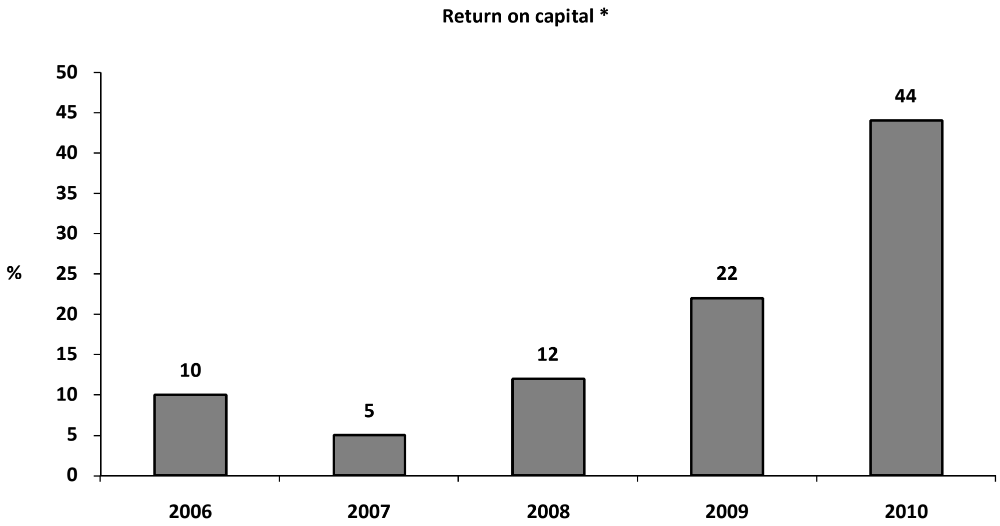
We have been able to reduce our actual warehouse and retail stock by £2.2 million to £11.1 million through the implementation of automatic stock replenishment and a streamlined range in our Hobby centres. The latter has been made possible by the introduction of our new Games Workshop Webstore in all Hobby centres ensuring that customers can access the full range without us having to carry the slower moving lines on shelf. We now carry less stock in each store and are more in control of warehouse stocks which will help us minimise stock write offs in future.

The Stockist strategy of dealing with well run independent shops, focusing on fast moving lines and replenished on a monthly basis, has meant that our debtors are under control, despite difficult economic conditions for traditional retailers. This also means we are not exposed to large chains, which typically seek to leverage their buying power to extract improved margins.

Investment in store openings has continued, with 45 new Hobby centres bringing our total to 382. The improvements we have made to our Hobby centre model mean that most new Hobby centres are profitable in their first year. We invested £1.9 million in tooling and the popular new plastic ranges continue to deliver an excellent payback. In addition to the new web terminals we have installed in our Hobby centres, we have also introduced new tills in France and Germany to complete the rollout of automatic stock replenishment.

The net effect of all these changes has been to increase profit margins at Games Workshop to 12.7%, asset turn from 3.1 to 3.5 and therefore return on capital to 44%. This has allowed us to repay our borrowings and end the year with net cash of £17.1 million. Clearly this is a much improved performance. However, we believe there is more we can do in the years to come.

Our results for 2009/10 continued



Our plans for 2010/11

We now use a rolling 5 year planning process for managing the performance of Games Workshop. This has replaced the old annual budgeting process which took up a lot of time for little real benefit. By contrast our 5 year planning process has allowed us to focus on key issues facing each business and to put in place projects that will have a long-term benefit on our performance.

We have found that focusing on a small number of major projects, each with a dedicated project manager, is the most effective method for implementing major change at Games Workshop. Last year's global projects included automatic stock replenishment, rollout of the Global Webstore and global pricing. Good progress was made in these areas, all of which have contributed to our performance improvement.

Whilst we recognise the importance of these performance improvements, our principal focus remains restoring real sales growth.

In 2010/11 our focus will be the issue of restoring LFL growth in our Hobby centres.

- The first of our agreed global projects is the rollout to all Hobby centres of Retail Standards, the sales training approach developed by our Australian business. This rollout began in Europe just before Christmas and we have already seen an improved performance from many European Hobby centre managers in the second half. The Northern Europe and North American businesses have begun to implement the same in recent months.

- The second global project is the implementation of performance related pay for Hobby centre managers. This is a simple scheme which rewards managers for delivering growth over the previous year. It was launched globally at the start of the 2010/11 financial year and has been well received.

- The third global project has been the relaunch of Warhammer this summer. We relaunched Warhammer 40,000 in 2008/09 and this created a great amount of excitement, gaming activity and purchasing. After four years of development, we expect the Warhammer relaunch to create similar levels of excitement and purchasing activity in the coming year.

Outside of global projects, we will continue to invest in opening more Games Workshop Hobby centres in Northern Europe, Continental Europe, North America and Australia. Almost all will be the one-man store model. The pace of openings will be determined by our ability to recruit and train Hobby centre managers, all of whom will benefit from Retail Standards and performance related pay programmes.

We will continue to invest in tooling for more plastic miniatures and in upgrading and replacing computer systems, particularly in North America and Northern Europe. Outside these areas, there are no major investments planned as we continue to seek further productivity improvements from the facilities we already have in place.

*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

Our risks and opportunities
As we have stated in previous years, we believe that the key risks which face Games Workshop are not external but internal. We are not significantly affected by economic factors, as recent results show. Performance shortfalls in the past have been down to the quality of management and decision making. The corollary is also true. Outperformance has been driven by better quality management and decision making, not external factors. As an investor once said about us: "I like Games Workshop because nothing they have ever done has been down to luck."

I believe that our management is getting better all the time. For the last few years we set ourselves the objective of making all senior appointments internally. This goal meant we had to take seriously the development of our managers and internal succession planning. We now conduct an annual appraisal and succession plan review for all management roles within Games Workshop and these in turn drive individual development plans.

Many successful managers in Games Workshop move across departments and territories to broaden their experience and skill sets. The Games Workshop Academy exists to support the identification and development of our future leaders with programmes to increase understanding of themselves, our business model and our culture. When we first began our succession planning reviews there were some gaps. Now, there are far fewer.

Progress has not been uniformly good. Development of management talent has lagged in North America, which is one of the reasons why Tom Kirby, whilst retaining his responsibilities as chairman, has been seconded to that business to help with its development. Nonetheless, this in itself shows the strength in depth we have developed in the Executive, who continue to drive the business forward while Tom is busy in North America. Tom continues to work approximately one week per month in the UK.

As for our opportunities, some years ago we set ourselves an ambitious goal for Games Workshop: to be the same great business, only several times bigger. Given the levels of penetration we have achieved in the UK compared to our other geographical territories, we believe this remains a realistic goal.

How long it will take us to achieve this goal is difficult to say. We are not too concerned about the timescale. Even with only modest levels of growth we are confident Games Workshop will become increasingly cash generative, meaning we can fund that growth internally and return truly surplus cash to shareholders.

The financial risks impacting the Group are detailed in the finance review on page 9.

Dividend and dividend policy
We're delighted to be able, once again, to recommend the payment of a dividend for the year. The gross dividend we are proposing is 25.0 pence per share. Looking to the future we will pay dividends out of cash which is truly surplus to the business, after making allowance for the costs of new Hobby centre openings, regular capital expenditure and maintenance, investment in tooling, plus a sum to ensure the business has sufficient working capital for its needs.

And finally…
Recently we received a query as to whether something was wrong at Games Workshop. The query was prompted by our decision not to attend a City awards ceremony where someone had very kindly nominated us for 'Turnaround of the Year'. As you will see from this set of results, there is nothing wrong at Games Workshop. It's simply that we don't believe we are here to receive awards. We are here to deliver a good return for our owners. And we aim to do that for a very long time.

Mark Wells
CEO
26 July 2010

FINANCE REVIEW

Sales

Reported sales increased by 0.6% to £126.5 million for the year. However, on a constant currency basis, sales were down by 3.1% from £125.7 million to £121.8 million; progress was achieved in Northern Europe (+0.5%) and North America (+0.4%), while sales in Continental Europe (-9.3%), Australia (-2.8%) and Emerging Markets and Japan (-3.5%) were in decline.

Operating profit

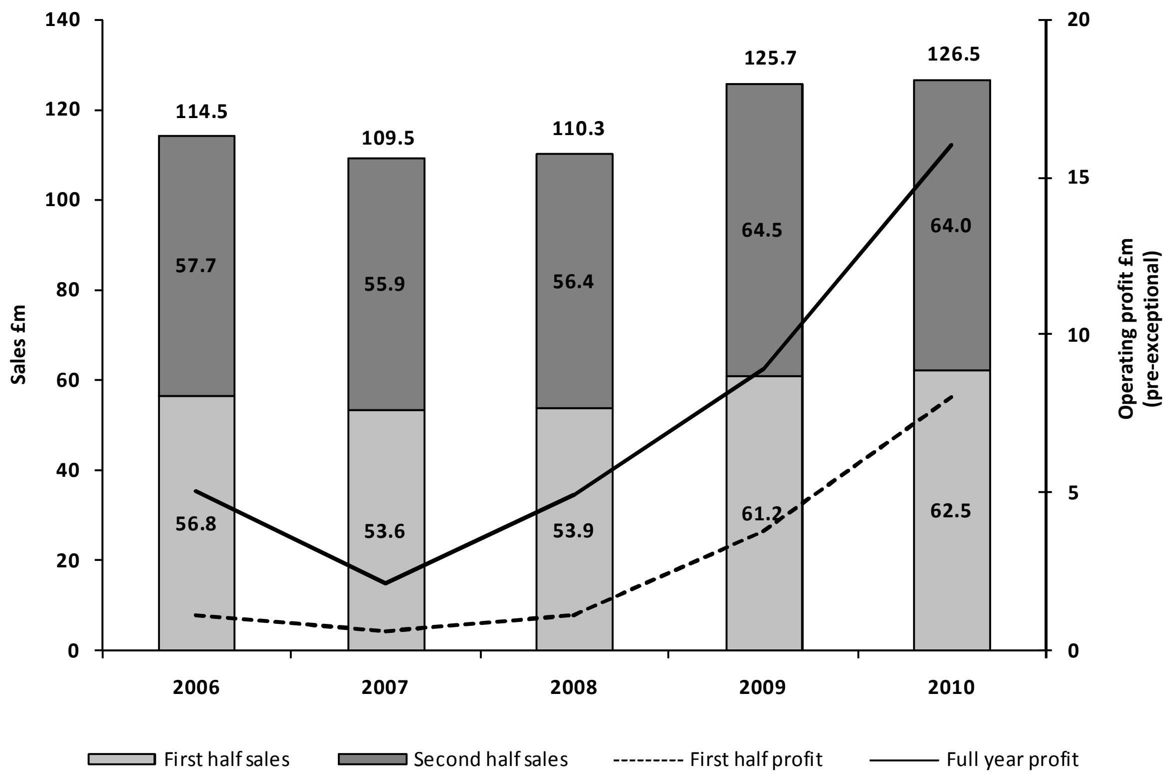
Before royalty income, core business operating profit rose by £7.5 million to £13.0 million. On a constant currency basis, core business operating profit increased by £6.2 million to £11.7 million. This constant currency growth was delivered by a 4.0% improvement in our gross margin and £4.3 million reduction in overheads.

After royalty income of £3.1 million (2009: £3.5 million) operating profit increased by £7.1 million to £16.1 million. On a constant currency basis, operating profit increased by £5.8 million to £14.7 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

In spite of a small constant currency sales decline during the year, the Group's core operating activities generated £23.5 million (2009: £14.2 million) of cash. We also received cash of £3.1 million in respect of royalties in the year (2009: £3.9 million). After repayment of our borrowings and capital expenditure of £5.4 million we had net funds at the year end of £17.1 million.

We use the term truly surplus cash 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 in the CEO's commentary on page 7.

FINANCE REVIEW continued

Cash generation and investment continued

Our actual stock levels at the year end were significantly lower than 2009 as a result of centralising our stock management, the investment in automatic stock replenishment in our Hobby centres and optimising our warehouse stock levels. Over the year our capital additions have been as follows:

	2010	2009
	£m	£m
Shop fits for new and existing Hobby centres	**1.3**	2.2
Production equipment and tooling	**2.3**	3.1
Computer equipment and software	**1.4**	1.3
Office facilities	**0.4**	0.1
Total capital additions	**5.4**	6.7

We expect capital expenditure to be roughly the same as depreciation and amortisation over the next few years.

Dividend

For the year ended 30 May 2010 we are recommending a gross dividend of 25.0 pence per share. We expect to pay dividends in future years as our cash surplus permits.

Dividend reinvestment plan

As before, we offer shareholders 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 6.5%. This rate remains below the UK corporation tax rate due to the recognition of overseas losses generated in earlier years and 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 and borrowing facilities. 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 put in place last year a two year secured revolving credit facility of £12 million, and an uncommitted working capital facility (subject to annual review) of £4.0 million. The related banking covenants were based on interest cover, net debt to EBITDA ratio and cash flow to interest and dividends ratio. The covenants, which are measured quarterly, were comfortably met during the year.

Since the year end the uncommitted working capital facility has been renewed at £3.0 million and we have cancelled £7 million of the £12 million revolving credit facility. The covenants remain as described above.

Interest rate risk

Our net interest receivable for the year is £75,000 (2009: net interest cost of £1,475,000). We have repaid our revolving credit facility, have not drawn down on our working capital facility and have released the accrual of £400,000 for interest on a potential tax liability. 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 our balance sheet are as follows:

	Euro		US dollar	
	2010	2009	**2010**	2009
Year end rate used for the balance sheet	**1.17**	1.14	**1.45**	1.61
Average rate used for earnings	**1.14**	1.18	**1.59**	1.63

We report our results in pounds sterling and the net benefit in the year ended 30 May 2010 of these exchange rate fluctuations on our operating profit was £1.3 million.

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

Key performance indicators (KPIs)

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

Kevin Rountree
CFO
26 July 2010

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 30 May 2010.

Principal activities

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

Business review

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

Dividend

The directors recommend a gross dividend of 25.0 pence per share, payable in October 2010.

Substantial shareholdings

The following interests in 3% or more of the issued share capital of the Company as at 23 July 2010 have been disclosed to the Company:

	No. of shares	%
The Nomad Investment Partnership LP	7,414,887	23.8
Investec Asset Management Limited	5,768,410	18.5
Phoenix Asset Management Partners Limited	4,190,607	13.5
Schroder Investment Management Limited	2,801,604	9.0
Polar Capital Forager Fund Limited	1,162,220	3.7

The Company has not been notified of any other substantial shareholdings other than those of the directors, which are disclosed in the remuneration report on page 18.

Directors

The present directors of the Company are listed on page 21. All of the directors were members of the board throughout the year.

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

Directors' interests

The interests of the directors in the shares of the Company are disclosed in the remuneration report on pages 18 and 19, together with details of share options granted to the directors. None of the directors had a material interest in any contract of significance to which the Company, or any of its subsidiaries, was a party during the year.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, as permitted by section 234 of the Companies Act 2006, which were in force during the year.

Information on executive directors

T H F Kirby (age 60), chairman. Tom Kirby joined Games Workshop in April 1986 as general manager and led the management buy-out in December 1991, becoming chief executive at that time. Between 1998 and 2000 he took on the role of non-executive chairman, returning to the role of chief executive in September 2000. He now performs the role of chairman following the appointment of Mark Wells as chief executive in December 2007. Prior to joining Games Workshop, Tom worked for six years for a distributor of fantasy games in the UK and was previously an Inspector of Taxes.

M N Wells (age 48),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 40),CFO. Kevin Rountree joined Games Workshop in March 1998 as assistant group accountant. He then had various management roles within Games Workshop, including head of sales for the Other Activities division. He qualified as a chartered management accountant in August 2001. Prior to joining Games Workshop Kevin was the management accountant at J Barbour & Sons Limited and trained at Price Waterhouse.

Information on independent directors

C J Myatt (age 66). 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 Limited. He was formerly a divisional managing director within Tarmac PLC.

N J Donaldson (age 56). Nick Donaldson was appointed to the board on 18 April 2002. A barrister by profession, Nick is a partner and co-founder of The Capital Markets Group Limited. Nick was, until 2003, head of corporate finance at Arbuthnot Securities Limited and previously held senior investment banking positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is an independent director of The Clapham House Group PLC, DP Poland plc and chairman of F4G Software Limited.

The Takeover Directive

As at 23 July 2010, 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 23 July 2010 there were 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 rights to receive dividends. Shares acquired through the Company's share schemes rank pari passu with the shares in issue and have no special rights. The holders of ordinary shares are entitled to receive the Company's annual report; to attend and speak at general meetings of the Company; to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of any class of share and no requirements for prior approval of any transfers. None of the shares carries any special rights with regard to control of the Company. There are no known arrangements under which the financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

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, with the proviso that all must retire within a three year period.

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

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

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

Constructive use of the annual general meeting

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

Auditors

As at 26 July 2010, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Environment and community

2009/10 has seen another year of continued improvement in our health safety and environment performance in accordance with our guiding principles:

> **Health and safety performance**
>
> Continued improvements in production and office layouts combined with improved accident investigations and controls have ensured that the numbers of reported accidents and RIDDOR reportable accidents have been reduced. Behavioural safety systems are currently under review to reduce accident levels even further. We aspire to have zero accidents.
>
> **Energy usage/cost reductions**
>
> Continued emphasis on energy saving behaviour has been further supplemented by expenditure on improved lighting systems to drive another year on year reduction in energy usage and costs at our Nottingham HQ and UK based Hobby centres.
>
> Light and power usage was down by 6% (which is equivalent to 328 tonnes of CO_2) and costs were reduced by £42,000 compared with 2008/09.
>
> Improvements included rezoning office lighting, allowing employees to turn on only the lighting they need, replacing over 270 bulbs with LEDs in the cabinets in our miniatures gallery, replacing existing lights in Hobby centres with low energy fittings and the repositioning of low energy lighting and removal of surplus lighting in production areas.

DIRECTORS' REPORT continued

Energy usage/cost reductions continued
Replacement of our distribution centre lighting system costing £40,000 has been approved for installation in summer 2010 with a positive net present value on the investment achievable within two years. The new system will incorporate self-switching lights with in-built light metres and motion sensors producing an annual saving of £28,000 which equates to 219 tonnes of CO_2 p.a.

Cycle scheme/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. So far over 60 employees have purchased new bicycles utilising the scheme - this represents over 10% of our HQ employees.

We continue to work with local organisations and Nottingham City Council lobbying to improve the provision for public transport in the area of our Nottingham HQ.

Waste management
Applying the principle of "reduce, reuse, recycle" we have reduced the amount of silicone waste from our resin process through continuous process improvements whilst increasing the life cycle of the mould. Waste resin is now reground and added as filler into the resin manufacturing process.

We are now achieving our zero landfill target from waste produced at our Nottingham HQ. We recycled 73% of our waste (by weight). The other 27% of our waste is sent for recovery at the Nottingham City Council incinerator. This has significantly reduced the transportation of waste and provided heating and electricity to public buildings in Nottingham City centre.

The next challenge will be to increase the recycling levels from our Hobby centres.

Charitable donations
Games Workshop does not donate money directly to charities as this is not a decision for management to take on behalf of shareholders.

We continue to donate old mobile phones and toner cartridges to charitable organisations.

We make no contributions to political parties.

Suppliers
The Group's policy is to aim to source and manage our suppliers in ways that are ethically feasible. This includes review of all key suppliers for certain standards of, amongst other things, health and safety, working hours, levels of wages and employment practices. The full statement of intent with regard to supplier sourcing is available on our website at investor.games-workshop.com.

The number of days credit taken by the Group from its suppliers at the year end was 30 days (2009: 27 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 profit and loss account 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

K D Rountree
Joint secretary
26 July 2010

CORPORATE GOVERNANCE

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 17 to 19, explains how the Company has applied the principles and complied with the provisions set out in the Code.

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

Detailed reviews of the performance of the Group's main business activities are included in the CEO's commentary and the finance review. The board presents these reviews, together with the directors' report on pages 11 to 13, to give a balanced and understandable assessment of the Group's position and prospects.

The board

The board comprises the chairman, the CEO, CFO 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 CFO, 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 one of the independent directors has served for more than nine years.

In making this assessment as to independence, the board has taken into account the personal attributes of each director in relation to the current and future needs of the board. In the opinion of the board, independence (like judgement and wisdom) is not an attribute which can be measured by reference to a checklist. It is rather an attribute which the members of the board can observe being demonstrated by a director in his actions and interactions with other members of the board as it faces the various issues which are placed before it. Independence is the absence of complacency, 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 FY09/10 the board and its committees had ten scheduled meetings, each of which was attended by all members of the board, except for NJ Donaldson, who attended nine board meetings and all committee meetings.

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

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

CORPORATE GOVERNANCE continued

The board continued

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

Board committees

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

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 external auditors will only be asked to perform services directly related to their audit responsibilities. The Group therefore uses different advisers for taxation advice and other services.

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

- reviewed the 2009 annual report and 2010 half-year results;
- considered the output from the groupwide 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 2010 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 the audit reports.

The committee calls upon the external auditors, the internal auditors and the executive directors to attend formal meetings as required. These meetings are held at least three times a year. The external and internal auditors are given the opportunity to raise any matters or concerns they may have in the absence of the executive directors at separate meetings with the audit committee or its chairman. The audit committee held four 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 was put to tender. There are no contractual obligations that 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 one meeting in the year, which was 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 CFO, 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 all queries received verbally, in writing or directly through its investor relations website investor.games-workshop.com (the 'Talk to Tom' section).

The chairman, the CEO and the CFO are always 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.

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

Remuneration report
The Company's policy on executive remuneration and details of the executive directors' salaries, annual bonuses and pensions, and fees for the independent directors are set out in the board report on remuneration on pages 17 to 19.

During the year, the executive directors participated in a new 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

K D Rountree
Joint secretary
26 July 2010

REMUNERATION REPORT

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

Remuneration policy
Throughout the year the Company complied with the provisions of the Combined Code relating to the design of performance-related remuneration for directors save that, as set out in "Remuneration report" on page 16 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), which this year will be distributed in full.

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

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

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

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

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

Service contracts continued

Under the service agreements of the independent directors, the period of appointment is one year and may be terminated by either party on giving six months' notice. The service agreements are also capable of termination by the Company on giving summary notice in the event of an independent director's absence in excess of six calendar months in any 12 month period. There is no entitlement to compensation for loss of office in the event of termination of the agreement. Agreements on this basis were entered into by C J Myatt on 15 March 2010 and N J Donaldson on 17 March 2010. The effective date for both contracts was 1 April 2010.

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 appropriately reflect the Company's size when compared to alternative indices.

The following sections of the remuneration report have been audited:

Directors' interests in shares of the Company

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

	As at 30 May 2010 ordinary shares of 5p each		As at 31 May 2009 ordinary shares of 5p each	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
T H F Kirby	**1,913,009**	**25,385**	1,913,009	-
M N Wells	**64,698**	**47,891**	59,188	47,891
K D Rountree	**1,126**	**-**	1,126	-
C J Myatt	**66,500**	**-**	66,500	-
N J Donaldson	**20,000**	**-**	20,000	-

REMUNERATION REPORT continued

Directors' emoluments for the year ended 30 May 2010

	Fees	Salary	Profit share	Benefits in kind	**Total emoluments**	Total emoluments		**Pension contributions**	Pension contributions
	2010	2010	2010	2010	**2010**	2009		**2010**	2009
	£000	£000	£000	£000	**£000**	£000		**£000**	£000
Executive directors									
T H F Kirby	-	392	1	10	**403**	355		**35**	35
M N Wells	-	250	1	3	**254**	254		**26**	25
K D Rountree	-	150	1	1	**152**	88	*	**11**	7
M Sherwin	-	-	-	-	**-**	447	**	**-**	10
Independent directors									
C J Myatt	38	-	-	-	**38**	35		**-**	-
N J Donaldson	32	-	-	-	**32**	30		**-**	-
A J H Stewart	-	-	-	-	**-**	25	***	**-**	-
	70	792	3	14	**879**	1,234		**72**	77

*From appointment on 22 October 2008

**Until resignation on 22 October 2008

***Until resignation on 31 March 2009

As announced on 15 January 2010 T H F Kirby, the chairman, has relocated to the Group's operations in the USA for a period of 18 to 24 months to focus on the Group's North American business. During this period Mr Kirby receives 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. The Company, M N Wells and K D Rountree contribute into the Group's personal pension scheme. These are defined contribution schemes and so the Company's contributions set out above reflect the full cost during the year of providing pension benefits to these directors.

Share options

Share options granted to the directors were as follows:

	At 31 May 2009	Granted	Expired	**Number as at 30 May 2010**	Exercise dates Commencement	Exercise dates 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	3,229	-	(3,229)	**-**	Nov-09	Apr-10	292.6p

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

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

There was no movement in directors' interests in shares of the Company between 30 May 2010 and the date of this report. The mid-market price of the Company's shares on 30 May 2010 was 346.5p (31 May 2009: 207.5p) and the range of the market prices during the year was 205p to 403.5p (2009: 118.75p to 275p).

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
26 July 2010

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 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 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 below, 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
- 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

K D Rountree
Joint secretary
26 July 2010

COMPANY DIRECTORS AND ADVISERS

Directors
T H F Kirby, chairman
M N Wells, CEO
K D Rountree, CFO
C J Myatt, senior independent director
N J Donaldson, independent director

Joint company secretary
K D Rountree
R F Tongue

Registered office
Willow Road, Nottingham, NG7 2WS

Registered number
2670969

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

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

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 the Games Workshop Group PLC

We have audited the financial statements of Games Workshop Group PLC for the year ended 30 May 2010 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Comprehensive Income, the Group and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Total Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with 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.

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 30 May 2010 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' 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.
- the information given in the Corporate Governance Report set out on pages 14 to 16 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 Directors' 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 13, in relation to going concern, and
- the parts of the Corporate Governance Report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
26 July 2010

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 May 2010 £000	Restated* Year ended 31 May 2009 £000
Continuing operations			
Revenue	3	**126,511**	125,706
Cost of sales		**(30,683)**	(35,919)
Gross profit		**95,828**	89,787
Operating expenses	4	**(82,839)**	(84,325)
Other operating income - royalties receivable		**3,056**	3,471
Operating profit	3	**16,045**	8,933
Finance income	6	**442**	333
Finance costs	7	**(367)**	(1,808)
Profit before taxation	8	**16,120**	7,458
Income tax expense	9	**(1,040)**	(2,107)
Profit for the year from continuing operations		**15,080**	5,351
Discontinued operations			
Profit for the year from discontinued operations	10	**-**	118
Profit attributable to equity shareholders	30	**15,080**	5,469

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	12	**48.4p**	17.6p
Diluted earnings per ordinary share	12	**48.1p**	17.6p
Basic earnings per ordinary share - continuing operations	12	**48.4p**	17.2p
Diluted earnings per ordinary share - continuing operations	12	**48.1p**	17.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 May 2010 £000	Restated* Year ended 31 May 2009 £000
Profit attributable to equity shareholders		**15,080**	5,469
Other comprehensive income			
Exchange differences on translation of foreign operations		**1,885**	2,605
Cash flow hedges:			
- fair value losses		**-**	(112)
- transferred to the income statement		**112**	940
Net investment hedge		**-**	(621)
Tax on items recognised directly in equity	9	**(31)**	(58)
Other comprehensive income for the year		**1,966**	2,754
Total comprehensive income attributable to equity shareholders		**17,046**	8,223

*Prior periods have been restated to reflect the adoption of the amendment to IFRS 2 with effect from 1 June 2008 (see note 11).

The notes on pages 30 to 57 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	**30 May 2010 £000**	31 May 2009 £000
Non-current assets			
Goodwill	14	**1,433**	1,433
Other intangible assets	15	**5,889**	5,811
Property, plant and equipment	16	**23,264**	25,380
Trade and other receivables	20	**1,678**	1,570
Deferred tax assets	18	**5,917**	4,704
		38,181	38,898
Current assets			
Inventories	19	**10,138**	10,678
Trade and other receivables	20	**10,043**	9,959
Current tax assets		**301**	32
Financial assets - derivative financial instruments	24	**-**	210
Cash and cash equivalents	21	**17,089**	10,355
		37,571	31,234
Total assets		**75,752**	70,132
Current liabilities			
Financial liabilities - borrowings	22	**-**	(2)
Financial liabilities - derivative financial instruments	24	**-**	(550)
Trade and other payables	25	**(15,550)**	(14,092)
Current tax liabilities		**(1,027)**	(2,233)
Provisions	27	**(1,848)**	(1,046)
		(18,425)	(17,923)
Net current assets		**19,146**	13,311
Non-current liabilities			
Financial liabilities - borrowings	22	**-**	(12,000)
Other non-current liabilities	26	**(582)**	(632)
Provisions	27	**(1,442)**	(1,586)
		(2,024)	(14,218)
Net assets		**55,303**	37,991
Capital and reserves			
Called up share capital	28	**1,557**	1,556
Share premium account	28	**7,837**	7,822
Other reserves	29	**3,722**	1,837
Retained earnings	30	**42,187**	26,776
Total shareholders' equity		**55,303**	37,991

The notes on pages 30 to 57 are an integral part of these financial statements.

The financial statements on pages 24 to 57 were approved by the board of directors on 26 July 2010 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 29) £000	Retained earnings* (note 30) £000	Total equity £000
At 2 June 2008	1,556	7,822	(321)	20,469	29,526
Profit for the year to 31 May 2009	-	-	-	5,469	5,469
Exchange differences on translation of foreign operations	-	-	2,605	-	2,605
Cash flow hedges:					
- fair value losses in the year (net of tax)	-	-	-	(81)	(81)
- transferred to the income statement (net of tax)	-	-	-	677	677
Net investment hedge (net of tax)	-	-	(447)	-	(447)
Total comprehensive income for the year	-	-	2,158	6,065	8,223
Transactions with owners:					
Share-based payments	-	-	-	242	242
At 31 May 2009 and 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	**1,557**	**7,837**	**3,722**	**42,187**	**55,303**

*Prior periods have been restated to reflect the adoption of the amendment to IFRS 2 with effect from 1 June 2008 (see note 11).

The notes on pages 30 to 57 are an integral part of these financial statements.

COMPANY BALANCE SHEET

	Notes	30 May 2010 £000	Restated* 31 May 2009 £000	Restated* 1 June 2008 £000
Non-current assets				
Investments in subsidiaries	17	**30,584**	30,441	30,360
Trade and other receivables	20	**5,363**	15,456	15,015
Financial assets - derivative financial instruments		**-**	-	14
Deferred tax assets	18	**24**	23	30
		35,971	45,920	45,419
Current assets				
Trade and other receivables	20	**2,958**	4,035	2,266
Current tax assets		**4**	6	-
Financial assets - derivative financial instruments	24	**-**	-	10
Cash and cash equivalents	21	**-**	-	4,643
		2,962	4,041	6,919
Total assets		**38,933**	49,961	52,338
Current liabilities				
Financial liabilities - borrowings	22	**(437)**	(590)	-
Trade and other payables	25	**(1,931)**	(2,433)	(4,828)
Provisions	27	**(12)**	(10)	(86)
		(2,380)	(3,033)	(4,914)
Net current assets		**582**	1,008	2,005
Non-current liabilities				
Financial liabilities - borrowings	22	**-**	(12,000)	(15,000)
Other non-current liabilities	26	**(4,871)**	(6,337)	(1,503)
Provisions	27	**(5)**	(2)	(2)
		(4,876)	(18,339)	(16,505)
Net assets		**31,677**	28,589	30,919
Capital and reserves				
Called up share capital	28	**1,557**	1,556	1,556
Share premium account	28	**7,837**	7,822	7,822
Capital redemption reserve		**101**	101	101
Retained earnings		**22,182**	19,110	21,440
Total shareholders' equity		**31,677**	28,589	30,919

*Prior periods have been restated to reflect the adoption of the amendment to IFRS 2 with effect from 1 June 2008 (see note 11).

The notes on pages 30 to 57 are an integral part of these financial statements.

The financial statements on pages 24 to 57 were approved by the board of directors on 26 July 2010 and were signed on its behalf by:

M N Wells, Director

K D Rountree, Director

Registered number 2670969

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 May 2010 £000	Year ended 31 May 2009 £000
Profit/(loss) and total comprehensive income/(expense) for the year attributable to equity shareholders	**2,902**	(2,572)

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

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 2 June 2008	1,556	7,822	101	21,361	30,840
Adoption of the amendment to IFRS2 (note 11)	-	-	-	79	79
At 2 June 2008 as restated*	1,556	7,822	101	21,440	30,919
Loss for the year to 31 May 2009	-	-	-	(2,572)	(2,572)
Total comprehensive expense for the year	-	-	-	(2,572)	(2,572)
Transactions with owners:					
Share-based payments	-	-	-	242	242
At 31 May 2009 and 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	**1,557**	**7,837**	**101**	**22,182**	**31,677**

*Prior periods have been restated to reflect the adoption of the amendment to IFRS 2 with effect from 1 June 2008 (see note 11).

The notes on pages 30 to 57 are an integral part of these financial statements.

CASH FLOW STATEMENTS

	Notes	Group Year ended 30 May 2010 £000	Group Year ended 31 May 2009 £000	Company Year ended 30 May 2010 £000	Company Year ended 31 May 2009 £000
Cash flows from operating activities					
Cash generated from operations	31	**29,787**	18,902	**4,095**	(3,411)
UK corporation tax paid		**(1,802)**	(191)	**(4)**	(3)
Overseas tax paid		**(1,417)**	(592)	**-**	-
Net cash from operating activities		**26,568**	18,119	**4,091**	(3,414)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(4,611)**	(6,291)	**-**	-
Proceeds on disposal of property, plant and equipment	31	**10**	62	**-**	-
Proceeds on disposal of asset held for sale		**-**	500	**-**	-
Purchases of other intangible assets		**(900)**	(1,315)	**-**	-
Expenditure on product development		**(2,524)**	(2,249)	**-**	-
Interest received		**51**	333	**-**	64
Net cash from investing activities		**(7,974)**	(8,960)	**-**	64
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**16**	-	**16**	-
Proceeds from borrowings		**-**	2,000	**-**	2,000
Loans received from related parties		**-**	-	**4,717**	5,020
Repayment of borrowings		**(12,000)**	(5,000)	**(12,000)**	(5,000)
Repayments of borrowings to related parties		**-**	-	**(6,499)**	(3,227)
Repayments of borrowings by related parties		**-**	-	**10,045**	-
Repayment of principal under finance leases		**(2)**	(13)	**-**	-
Interest paid		**(315)**	(1,258)	**(311)**	(856)
Net cash from financing activities		**(12,301)**	(4,271)	**(4,032)**	(2,063)
Net increase/(decrease) in cash and cash equivalents		**6,293**	4,888	**59**	(5,413)
Opening cash and cash equivalents		**10,355**	4,944	**(590)**	4,643
Effects of foreign exchange rates on cash and cash equivalents		**441**	523	**94**	180
Closing cash and cash equivalents	21	**17,089**	10,355	**(437)**	(590)

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

The notes on pages 30 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, the US and China, 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 30 May 2010 and 31 May 2009. 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 30 May have been used for consolidation purposes.

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

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

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

Product development costs recognised as intangible assets are amortised on a straight line basis over periods ranging between 6 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.

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

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

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

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

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

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

Monetary assets and liabilities expressed in currencies that are not the functional currency are translated into the functional currency at rates of exchange ruling at the balance sheet date. Translation differences on monetary items are recognised in the income statement with the exception of differences on transactions that are subject to effective cash flow or net investment hedges.

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

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

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

2. Summary of significant accounting policies continued

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

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

Revenue

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

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

Royalty income

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

Segment reporting

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 substantially enacted by the balance sheet date.

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

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

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

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

Dividends

Dividend distributions are recognised in the financial statements in the period in which they are approved by the Company's shareholders.

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.

2. Summary of significant accounting policies continued

Provisions
Provisions are made when:

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

Provision is made for committed costs outstanding under onerous or vacant property leases 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 role will become redundant.

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

- Management estimates and judgements are required in assessing the impairment of assets, particularly in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

- Judgement is involved in assessing the exposures in the provisions (including inventory, 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
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 June 2009 and have been adopted in these financial statements:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. The Group has elected to present two statements: an income statement and a statement of comprehensive income. IAS1 (revised) also states that entities making restatements or reclassifications of comparative information will be required to present a restated balance sheet at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. This standard requires a 'management approach' under which segment information is reported on the same basis as is used for internal reporting purposes. This has resulted in segment information now being reported via business line rather than geographical split.

- IFRS 2 (amendment), 'Share-based payment'. This amendment requires that all cancellations under the Group's sharesave scheme will require immediate recognition of the remaining future charges in relation to the associated options. The impact of this has been included within the financial statements and is explained in note 11.

- IFRS 7 (amendment), 'Financial instruments: disclosures'. Additional disclosures relating to a hierarchy for measurement of fair values of financial instruments are now required. There is no impact on reported profits or total equity.

There are various other new standards, amendments to standards and interpretations that are mandatory for the first time for this financial year, but do not have a significant impact on the Group.

The Group has early adopted the following standard during the year:

- IFRS 8 (amendment), 'Operating segments'. This amendment means that reporting of the Group's segment assets is not required as such reporting is not regularly provided to the executive directors.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

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 30 May 2010, 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:

  - Northern Europe. This sales business operates in the UK, Ireland and Scandinavia.
  - 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 Australian sales businesses.
  - 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 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, China and Australia.

- 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, production planning, 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 IFRS2, 'Share-based payment'. This has been reconciled to the Group's total profit before tax below.

The segment information reported to the executive directors for the year ended 30 May 2010 is as follows:

	External Revenue		Internal Revenue		Total	
	2010	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000
Sales businesses						
Northern Europe	**36,769**	36,387	**-**	-	**36,769**	36,387
Continental Europe	**35,974**	38,193	**-**	-	**35,974**	38,193
North America	**31,270**	29,904	**-**	-	**31,270**	29,904
Australia	**10,795**	9,286	**-**	-	**10,795**	9,286
Emerging Markets and Japan	**3,416**	3,481	**-**	-	**3,416**	3,481
All other sales businesses	**8,287**	8,455	**1,214**	936	**9,501**	9,391
Other segments						
Product and supply	**-**	-	**52,071**	48,786	**52,071**	48,786
Total	**126,511**	125,706	**53,285**	49,722	**179,796**	175,428
Intra-group sales eliminations	**-**	-	**(53,285)**	(49,722)	**(53,285)**	(49,722)
Total revenue	**126,511**	125,706	**-**	-	**126,511**	125,706

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.

3. Segment information continued

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

	2010 £000	2009 £000
Operating profit		
Sales businesses		
Northern Europe	**4,824**	4,376
Continental Europe	**635**	830
North America	**3,270**	734
Australia	**654**	786
Emerging Markets and Japan	**(174)**	54
All other sales businesses	**3,254**	3,157
Other segments		
Product and supply	**19,045**	14,659
Total segment operating profit	**31,508**	24,596
Logistics and stock management	**(6,748)**	(7,323)
Licensing	**2,546**	3,092
Service centre costs	**(5,709)**	(5,783)
Web costs	**(1,937)**	(1,754)
Central costs	**(3,445)**	(3,653)
Share-based payments charge	**(170)**	(242)
Total group operating profit	**16,045**	8,933
Finance income	**442**	333
Finance costs	**(367)**	(1,808)
Profit before taxation	**16,120**	7,458

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.

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

	Impairment		Depreciation and amortisation	
	2010 £000	2009 £000	2010 £000	2009 £000
Sales businesses				
Northern Europe	**31**	-	**632**	666
Continental Europe	**41**	-	**736**	767
North America	**67**	91	**767**	671
Australia	**-**	60	**327**	302
Emerging Markets and Japan	**-**	16	**48**	43
All other sales businesses	**-**	-	**911**	600
Other segments				
Product and supply	**-**	-	**5,395**	6,025
Logistics and stock management	**-**	-	**855**	927
Web costs	**-**	-	**491**	604
Total	**139**	167	**10,162**	10,605

The impairment charges relate to fixtures and fittings within loss making Hobby centres (see note 16).

NOTES TO THE FINANCIAL STATEMENTS continued

3. Segment information continued

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

	2010 £000	2009 £000
Operating expenses		
Sales businesses		
Northern Europe	**17,580**	17,681
Continental Europe	**19,521**	20,407
North America	**16,812**	17,800
Australia	**5,517**	4,611
Emerging Markets and Japan	**1,726**	1,592
All other sales businesses	**2,837**	2,910
Other segments		
Product and supply	**7,294**	7,260
Total segment operating expenses	**71,287**	72,261
Licensing	**233**	185
Service centre costs	**5,709**	5,783
Web costs	**1,925**	1,779
Central costs	**3,515**	4,075
Share-based payments	**170**	242
Total group operating expenses	**82,839**	84,325

External revenue by customer location is analysed by geographical location as follows:

	2010 £000	2009 £000
United Kingdom	**35,578**	33,653
Continental Europe	**43,289**	47,577
North America	**34,957**	33,387
Asia Pacific	**11,911**	10,729
Rest of the World	**776**	360
	126,511	125,706

The Group is not reliant on any one individual customer.

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

	2010 £000	Restated* 2009 £000
Continuing operations		
Selling costs	**49,875**	50,479
Administrative expenses	**29,703**	30,786
Design and development costs - amortisation	**2,438**	2,269
Design and development costs - not capitalised	**823**	791
	82,839	84,325

5. Directors and employees

	2010 £000	Restated* 2009 £000
Total directors and employees costs:		
Wages and salaries	**43,577**	44,661
Social security costs	**5,469**	5,359
Other pension costs	**1,132**	1,243
Share-based payments	**170**	242
	50,348	51,505

Details of capitalised salary costs, included in the above, are provided in note 15. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 8.

5. Directors and employees continued

Key management compensation

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

	2010	2009
	£000	£000
Salaries and other short-term employee benefits	**1,096**	1,049
Post-employment benefits	**90**	88
Share-based payments	**4**	1
Termination benefits - compensation for loss of office	**-**	342
Other employee benefits	**15**	17
	1,205	1,497

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 17 to 19.

Key management are the directors of the Company, the head of global sales and, from 1 February 2010, the head of product and supply.

Employee numbers

	2010	2009
Monthly average number of employees by activity:	**Number**	Number
Design and development	**82**	80
Production	**188**	200
Selling:		
- Full time	**1,133**	1,260
- Part time	**275**	347
Administration	**388**	398
	2,066	2,285

6. Finance income

	2010	2009
	£000	£000
Interest income:		
- On cash and cash equivalents	**40**	321
- Interest on deferred consideration	**2**	12
- Release of accrual for interest on potential tax liability	**400**	-
	442	333

7. Finance costs

	2010	2009
	£000	£000
Interest expense:		
- Bank loans and overdrafts	**282**	1,201
- Finance lease charges	**-**	1
- Unwinding of discount on provisions	**57**	72
- Accrual for interest on potential tax liability	**-**	400
- Fair value loss on interest rate cap	**-**	24
Net foreign exchange losses on financing activities	**28**	110
	367	1,808

NOTES TO THE FINANCIAL STATEMENTS continued

8. Profit before taxation

	2010 £000	Restated* 2009 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	**6,770**	7,044
- Property, plant and equipment under finance leases	**2**	11
- Impairment of property, plant and equipment	**139**	167
Amortisation:		
- Owned computer software	**952**	1,281
- Development costs	**2,438**	2,269
Non-capitalised development costs	**823**	791
Impairment of trade receivables	**2**	322
Operating leases:		
- Hobby centres	**10,361**	9,656
- Other property	**1,392**	1,566
- Plant and equipment	**157**	157
- Other	**350**	264
Staff costs (excluding capitalised salary costs and non-capitalised development costs as above)	**47,530**	48,696
Cost of inventories included in cost of sales	**18,905**	20,800
Net inventory provision creation (note 19)	**48**	432
Loss on disposal of property, plant and equipment	**91**	-
Loss on disposal of intangible assets	**18**	39
Profit on disposal of assets held for sale	**-**	(36)
Redundancy costs and compensation for loss of office	**906**	1,370
Net charge to property provisions including closed or loss making Hobby centres	**782**	807

Auditors' remuneration and services provided

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

	2010 £000	2009 £000
Audit services		
Audit of the Group and Company's accounts	**61**	64
Other services		
The audit of the Company's subsidiaries pursuant to legislation	**236**	223
Other services relating to taxation	**-**	3
All other services	**12**	11
Total services provided	**309**	301

9. Income tax expense

Continuing operations	2010 £000	2009 £000
Current UK taxation:		
UK corporation tax on profits for the year	**1,038**	2,314
Over provision in respect of prior years	**(11)**	(5)
	1,027	2,309
Current overseas taxation:		
Overseas corporation tax on profits for the year	**909**	1,426
(Over)/under provision in respect of prior years	**(228)**	54
Total current taxation	**1,708**	3,789
Deferred taxation:		
Origination and reversal of timing differences	**(855)**	(1,481)
Under/(over) provision in respect of prior years	**187**	(201)
Tax expense recognised in the income statement	**1,040**	2,107

Current tax credit on net investment hedge	**-**	(174)
Deferred tax charge on cash flow hedges	**31**	232
Deferred tax credit relating to share option scheme	**(80)**	-
(Credit)/charge taken directly to equity	**(49)**	58

9. Income tax expense continued

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

Continuing operations	**2010 £000**	Restated* 2009 £000
Profit before taxation	**16,120**	7,458
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	**4,514**	2,088
Effects of:		
Expenses not deductible for tax purposes	**148**	23
Movement in provision for tax enquiry	**(1,351)**	1,351
Movement in deferred tax not recognised	**(322)**	(85)
Deferred tax on losses now recognised	**(2,060)**	(2,489)
Higher tax rates on overseas earnings	**163**	370
Adjustments to tax charge in respect of previous years	**(52)**	(152)
Abolition of industrial buildings allowances	-	1,001
Total tax charge for the year	**1,040**	2,107

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% 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 30 May 2010 as the full reduction in rate to 24% would decrease the deferred tax asset and profit by £8,000.

10. Discontinued operations

During the year ended 31 May 2009, a provision of £129,000 held against the consideration receivable for the disposal of the trading activities of Sabertooth Games Inc. (disposed of on 14 February 2008) was released to the income statement following receipt of the payment. The associated corporation tax charge of £11,000 was also recognised in the income statement as part of the result from discontinued operations. The cash inflow relating to discontinued operations for the year ended 31 May 2009 was £327,000.

11. Change of accounting policy

The adoption of the amendment to IFRS 2 as described in note 2 has resulted in an additional charge of £81,000 to operating expenses in the consolidated income statement for the year ended 31 May 2009 in respect of employee sharesave schemes. The prior year income statement has been restated accordingly. There is no impact on the consolidated net assets of the Group at 1 June 2008 or 31 May 2009. Basic and diluted earnings per share are both 0.2p lower than previously reported for the year ended 31 May 2009. The impact of the change in policy for the current financial year is an additional charge of £15,000 in the consolidated income statement. There is no impact on the consolidated net assets of the Group at 30 May 2010.

The impact on the Company balance sheet at the beginning and end of the comparative period, and at 30 May 2010 is as follows:

	2010 £000	2009 £000	2008 £000
Investments in subsidiaries	**-**	160	79
Receivables	**15**	-	-
Retained earnings	**(15)**	(160)	(79)

In accordance with IFRS 2 (amended), 'Share-based payment', the additional charge has been added to the cost of investments in subsidiaries in the restated periods, with a corresponding adjustment to retained earnings. The cumulative additional charge to 31 May 2009 of £160,000 has been recharged to the subsidiary undertakings during the year ended 30 May 2010 and the investment value has been reduced.

The Company balance sheets have been restated accordingly and the Company balance sheet from the beginning of the comparative period (1 June 2008) has been presented in accordance with IAS 1 (revised), 'Presentation of financial statements'. There is no impact on the Company income statement for the year ended 31 May 2009 or for the year ended 30 May 2010.

NOTES TO THE FINANCIAL STATEMENTS continued

12. 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.

	2010	Restated* 2009
Profit attributable to equity shareholders (£000)		
Continuing operations	**15,080**	5,351
Discontinued operations	**-**	118
Total	**15,080**	5,469
Weighted average number of ordinary shares in issue (thousands)	**31,131**	31,129
Basic earnings per share (pence per share) - continuing operations	**48.4**	17.2
Basic earnings per share (pence per share) - discontinued operations	**-**	0.4
Basic earnings per share (pence per share)	**48.4**	17.6

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.

	2010	Restated* 2009
Profit attributable to equity shareholders (£000)		
Continuing operations	**15,080**	5,351
Discontinued operations	**-**	118
Total	**15,080**	5,469
Weighted average number of ordinary shares in issue (thousands)	**31,131**	31,129
Adjustment for share options (thousands)	**220**	17
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**31,351**	31,146
Diluted earnings per share (pence per share) - continuing operations	**48.1**	17.2
Diluted earnings per share (pence per share) - discontinued operations	**-**	0.4
Diluted earnings per share (pence per share)	**48.1**	17.6

13. Dividends per share

No dividend was paid in the 2009 financial year. A gross dividend in respect of the year ended 30 May 2010 of 25.0 pence per share, amounting to a total dividend of £7,784,000, is to be proposed at the annual general meeting on 16 September 2010. These financial statements do not reflect this dividend payable.

14. Goodwill

	Group £000
Net book amount	
At 2 June 2008, 31 May 2009 and 30 May 2010	**1,433**

The Company had no goodwill at either year end.
Goodwill of £1,159,000 (2009: £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 use a pre-tax discount rate of 10.1% (2009: 6.6%).

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.

15. Other intangible assets

Group	Computer software £000	Development costs £000	Total £000
Cost			
At 2 June 2008	6,991	10,774	17,765
Additions	1,029	2,249	3,278
Exchange differences	270	-	270
Disposals	(118)	-	(118)
Reclassifications	213	-	213
At 31 May 2009 and 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	**9,192**	**15,547**	**24,739**
Amortisation			
At 2 June 2008	(3,604)	(8,102)	(11,706)
Amortisation charge	(1,281)	(2,269)	(3,550)
Exchange differences	(241)	-	(241)
Disposals	79	-	79
Reclassifications	(179)	-	(179)
At 31 May 2009 and 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	**(6,041)**	**(12,809)**	**(18,850)**
Net book amount			
At 31 May 2009	3,159	2,652	5,811
At 30 May 2010	**3,151**	**2,738**	**5,889**

Amortisation of £297,000 (2009: £300,000) has been charged in cost of sales and £3,093,000 (2009: £3,250,000) in operating expenses.

The net book amount of internally generated intangible assets is £3,212,000 (2009: £3,065,000) and acquired intangible assets is £2,677,000 (2009: £2,746,000). All development costs are internally generated and £1,995,000 (2009: £1,955,000) is capitalised salary costs.

Salary costs of £63,000 were capitalised in the prior year as part of computer software.

There were no assets in the course of construction at 30 May 2010. Assets in the course of construction, and not depreciated, amounted to £211,000 at 31 May 2009. These are included within computer software above.

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

NOTES TO THE FINANCIAL STATEMENTS continued

16. Property, plant and equipment

Group	Freehold land and buildings £000	Plant & equipment and vehicles £000	Fixtures and fittings £000	Moulding tools £000	Total £000
Cost					
At 2 June 2008	14,391	16,547	21,466	17,314	69,718
Additions	26	935	2,151	2,539	5,651
Exchange differences	-	857	1,786	160	2,803
Disposals	-	(752)	(3,258)	-	(4,010)
Reclassifications	-	(151)	(62)	-	(213)
At 31 May 2009 and 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	**14,417**	**18,345**	**23,157**	**22,097**	**78,016**
Depreciation					
At 2 June 2008	(2,616)	(12,012)	(16,309)	(12,359)	(43,296)
Exchange differences	-	(656)	(1,389)	(133)	(2,178)
Charge for the year	(446)	(1,839)	(2,532)	(2,238)	(7,055)
Impairment	-	-	(167)	-	(167)
Disposals	-	710	3,238	-	3,948
Reclassifications	-	150	29	-	179
At 31 May 2009 and 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	**(3,465)**	**(15,098)**	**(19,139)**	**(17,050)**	**(54,752)**
Net book amount					
At 31 May 2009	11,355	3,789	4,953	5,283	25,380
At 30 May 2010	**10,952**	**3,247**	**4,018**	**5,047**	**23,264**

Depreciation expense of £3,624,000 (2009: £3,743,000) has been charged in cost of sales, £2,467,000 (2009: £2,361,000) in selling costs, £645,000 (2009: £903,000) in administrative expenses and £36,000 (2009: £48,000) in design and development costs.

The cost of property, plant and equipment includes plant and equipment and vehicles of £55,000 (2009: £55,000) in respect of assets held under finance leases. The depreciation charged on these assets was £2,000 (2009: £11,000). The net book amount of these assets is £nil (2009: £2,000).

Freehold land amounting to £3,836,000 (2009: £3,836,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £24,000 (2009: £573,000). These are included in moulding tools above.

The impairment loss of £139,000 (2009: £167,000) relates to 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 Company held no property, plant and equipment at either year end.

17. Investments in subsidiaries

Company	**2010 £000**	Restated* 2009 £000
Shares in group undertakings - cost		
Beginning of year	**30,441**	30,360
Additions to investment in subsidiary	**12,753**	-
Disposal of subsidiaries	**(12,450)**	-
Capital contribution relating to share-based payment (note 11)	**(160)**	81
End of year	**30,584**	30,441

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 has also disposed of its investments in several of its dormant subsidiary undertakings following their liquidation.

17. Investments in subsidiaries continued

The movement in investments for the year ended 31 May 2009 is in relation to the restatement of the financial statements for the prior year as a result of the adoption of the amendment to IFRS 2, 'Share based payment' as described in note 11. The Company has re-charged an amount of £160,000 to its subsidiary undertakings in the year ended 30 May 2010 in relation to this.

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

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

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by: Company	Subsidiary company	Principal business activity
Games Workshop Limited	England and Wales	£1 ordinary	100%		Manufacturer, distributor and retailer of games and miniatures
Games Workshop America Inc.	United States of America	$1 common stock		100%	Distributor and retailer of games and miniatures
		$100,000 preferred stock		100%	
Games Workshop Retail Inc.	United States of America	$1 common stock		100%	Distributor and retailer of games and miniatures
Games Workshop US Manufacturing LLC	United States of America	Owners capital		100%	Manufacturer and distributor of games and miniatures
Games Workshop (Queen Street) Limited	Canada	Can $1		100%	Distributor and retailer of games and miniatures
EURL Games Workshop	France	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop SL	Spain	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop Oz Pty Limited	Australia	Aus $1		100%	Distributor and retailer of games and miniatures
Games Workshop Deutschland GmbH	Germany	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop Limited	New Zealand	NZ $1		100%	Distributor and retailer of games and miniatures
Games Workshop Italia SRL	Italy	euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop (Shanghai) Co. Limited	China	Owners capital		100%	Manufacturing, sourcing and distribution of gaming materials
Games Workshop International Limited	England and Wales	£1 ordinary	100%		Holding company for overseas subsidiary companies

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

18. Deferred income tax

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

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Deferred tax assets:				
- deferred tax asset to be recovered after more than 12 months	**1,455**	1,302	**3**	4
- deferred tax asset to be recovered within 12 months	**4,462**	3,402	**21**	19
	5,917	4,704	**24**	23

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

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Beginning of year	**4,704**	3,005	**23**	30
Exchange differences	**496**	249	**-**	-
Income statement credit/(charge)	**668**	1,682	**1**	(7)
Credited directly to profit and loss reserve	**80**	-	**-**	-
Charged to hedging reserve	**(31)**	(232)	**-**	-
End of year	**5,917**	4,704	**24**	23

NOTES TO THE FINANCIAL STATEMENTS continued

18. Deferred income tax continued

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 2 June 2008	1,733	(748)	943	1,077	3,005
(Charged)/credited to the income statement	(612)	5	2,154	135	1,682
Charged to equity	-	-	-	(232)	(232)
Exchange differences	63	-	174	12	249
At 31 May 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	**1,421**	**(767)**	**4,405**	**858**	**5,917**

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 £3,800,000 (2009: £5,600,000) in respect of losses amounting to £5,600,000 (2009: £8,500,000) and other temporary differences of £4,500,000 (2009: £6,900,000) 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 £4,700,000 will expire during the years 2022 to 2027, £500,000 will expire during the years 2021 to 2023 and £400,000 will expire during 2010 to 2013.

The Group obtained a current tax benefit of £198,000 (2009: £489,000) from previously unrecognised tax losses.

Company	Accelerated depreciation £000	Other £000	Total £000
At 2 June 2008	5	25	30
Charged to the income statement	(1)	(6)	(7)
At 31 May 2009	4	19	23
(Charged)/credited to the income statement	(1)	2	1
At 30 May 2010	**3**	**21**	**24**

19. Inventories

Group	**2010 £000**	2009 £000
Raw materials	**1,419**	2,445
Work in progress	**1,173**	865
Finished goods and goods for resale	**7,546**	7,368
	10,138	10,678

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 £1,766,000 (2009: £826,000). Additional provision of £434,000 (2009: £432,000) has been charged to the income statement during the year.

The Group has undertaken inventory clearance and inventory streamlining activities during the year, as a result of which inventory provision of £386,000 has been released to the income statement. There was no material release of inventory provision in the prior year.

The Company holds no inventories at either year end.

20. Trade and other receivables

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade receivables	**7,329**	8,494	**-**	-
Less provision for impairment of receivables	**(972)**	(1,299)	**-**	-
Trade receivables - net	**6,357**	7,195	**-**	-
Prepayments and accrued income	**3,636**	2,859	**93**	36
Other receivables	**1,728**	1,475	**-**	-
Receivables from related parties	**-**	-	**2,865**	2,831
Loans to related parties	**-**	-	**5,363**	16,624
Total trade and other receivables	**11,721**	11,529	**8,321**	19,491
Non-current receivables:				
Trade receivables	**37**	75	**-**	-
Less provision for impairment of receivables	**(37)**	(75)	**-**	-
Trade receivables - net	**-**	-	**-**	-
Prepayments and accrued income	**372**	391	**-**	-
Other receivables	**1,306**	1,179	**-**	-
Loans to related parties	**-**	-	**5,363**	15,456
Non-current portion	**1,678**	1,570	**5,363**	15,456
Current portion	**10,043**	9,959	**2,958**	4,035

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 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:

	2010 Not impaired £000	2010 Impaired £000	2010 Total £000	2009 Not impaired £000	2009 Impaired £000	2009 Total £000
Up to 3 months past due	**458**	**142**	**600**	552	104	656
3 to 12 months past due	**134**	**263**	**397**	157	392	549
Over 12 months past due	**16**	**472**	**488**	13	389	402
	608	**877**	**1,485**	722	885	1,607

In addition to the above, current debt of £95,000 (2009: £414,000) has been impaired.

Provision for impairment of receivables

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

	Group £000
At 2 June 2008	1,219
Charge for the year	468
Unused amounts reversed	(146)
Receivables written off during the year as uncollectible	(307)
Exchange differences	65
At 31 May 2009	1,299
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	**972**

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

	2010 £000	2009 £000
Sterling	**3,162**	3,414
Euro	**3,588**	3,820
US dollar	**3,106**	2,455
Other currencies	**1,865**	1,840
Total trade and other receivables	**11,721**	11,529

NOTES TO THE FINANCIAL STATEMENTS continued

21. Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Cash and cash equivalents	**15,393**	9,274	**-**	-
Short-term bank deposits	**1,696**	1,081	**-**	-
	17,089	10,355	**-**	-

The Group's cash and cash equivalents are repayable on demand and include a right of set-off between sterling and other currencies held in the UK.
Cash and cash equivalents and short-term deposits are floating rate assets which earn interest at various rates with reference to the prevailing interest rates.
Short-term deposits have an average maturity of 1 day.
Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statements (see analysis of net funds/(debt), note 32):

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Cash and cash equivalents	**17,089**	10,355	**-**	-
Bank overdrafts	**-**	-	**(437)**	(590)
	17,089	10,355	**(437)**	(590)

22. Financial liabilities - borrowings

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Current				
Bank overdrafts	**-**	-	**437**	590
Obligations under finance leases	**-**	2	**-**	-
	-	2	**437**	590
Non-current				
Bank loans	**-**	12,000	**-**	12,000
Total borrowings	**-**	12,002	**437**	12,590

Bank loans represent a sterling medium-term revolving credit facility and can be drawn in both sterling and euros. Covenants are based upon interest cover, net debt to pre-exceptional EBITDA ratio and cash flow to interest and dividends ratio. Interest accrues at a floating rate by reference to LIBOR. The bank loans are secured on UK assets.
The fair value of borrowings does not differ from the book value.
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default and accrue interest at a fixed rate of 10% per annum.
The minimum lease payments under finance leases fall due as follows:

	2010	2009
	£000	£000
Within 1 year	**-**	2
Between 1 and 5 years	**-**	-
	-	2
Future finance costs on finance leases	**-**	-
Present value of finance lease liabilities	**-**	2

The Company held no finance leases at either year end.

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

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Sterling	**-**	12,000	**(256)**	14,327
Euro	**-**	-	**1,220**	(1,684)
US dollar	**-**	2	**(527)**	(53)
	-	12,002	**437**	12,590

22. Financial liabilities - borrowings continued

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

		2010				2009			
	Currency	**Effective interest rate at 30 May 10**	**Drawn £000**	**Undrawn £000**	**Total £000**	Effective interest rate at 31 May 09	Drawn £000	Undrawn £000	Total £000
Committed:									
- Medium-term revolving credit facility	sterling	**2.75%**	**-**	**12,000**	**12,000**	2.43%	12,000	8,000	20,000
							12,000	8,000	20,000
Uncommitted:									
- Bank overdraft - working capital facility	sterling	**3.00%**	**-**	**2,500**	**2,500**	2.50%	-	5,000	5,000
Total facilities for the Group			**-**	**14,500**	**14,500**		12,000	13,000	25,000

During the year, the Group has renewed its banking facilities, reducing the committed medium-term revolving credit facility to £12,000,000 and the uncommitted working capital facility to £4,000,000 (including an overdraft facility of £2,500,000). The revolving credit facility is available until 27 July 2011 and the working capital facility is subject to annual review. Since the year end the uncommitted working capital facility has been renewed at £3,000,000 (including an overdraft facility of £2,500,000) and £7,000,000 of the £12,000,000 revolving credit facility has been cancelled.
Bank borrowings attract floating rate interest by reference to sterling and euro base rates and LIBOR. The terms of the facility allow draw down in both sterling and euros. These facilities are secured on UK assets.
The fair value of borrowings does not differ from the book value.

23. Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Group's financial risk management objective is to 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 reviewed by the Group's chief financial officer.

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 and equity to movements in foreign exchange rates on US dollar and euro financial assets and liabilities:

	2010		2009	
Group	**Income gain/ (loss) £000**	**Equity gain/ (loss) £000**	Income gain/ (loss) £000	Equity gain/ (loss) £000
25% appreciation of the US dollar (2009: 5%)	**432**	**-**	18	-
10% appreciation of the euro (2009: 10%)	**(144)**	**-**	(340)	(214)

A depreciation of the stated currencies would have an equal and opposite effect.
The movements in equity in the prior year result principally from forward purchases of euros as cash flow hedges, which are no longer undertaken. The euro net investment hedge in the prior year was more than offset by the revaluation in equity of the hedged assets.

NOTES TO THE FINANCIAL STATEMENTS continued

23. Financial risk factors continued

Interest rate risk

The Group's interest rate risk primarily arises from the Group's borrowings which are at variable rates and expose the Group to cash flow interest rate risk. The Group has an exposure to movements in interest rates, primarily in sterling and euros. The board periodically reviews the Group's exposure to interest rate fluctuations taking into consideration financial covenants, refinancing and renewal of existing positions.

The Group's interest rate risk at 30 May 2010 is significantly reduced from the prior year end as no amounts are drawn down under the revolving credit facility.

Interest rate sensitivity

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

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

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

Group	**2010 Increase/ (decrease) in profit £000**	2009 Increase/ (decrease) In profit £000
1% increase in sterling interest rates (2009: 4% decrease)	**-**	598
1% increase in euro interest rates (2009: 1% decrease)	**29**	(45)

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

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and debts with banks and financial institutions as well as credit exposures to independent retailers.

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

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed. Policies are also in place to ensure the wholesale sales of products are made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate provision made for bad and doubtful debts (note 20). Provision requirements are determined with reference to ageing of invoices, credit history and other available information.

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

Capital risk

The capital structure of the Group consists of net funds (see note 32) and shareholders' equity (see note 30). The Group manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. Following the repayment of amounts drawn down under the revolving credit facility during the year, 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 committed credit facilities.

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

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

	2010				2009			
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
Bank loans	**-**	**-**	**-**	**-**	-	12,359	-	-
Finance leases	**-**	**-**	**-**	**-**	2	-	-	-
Trade and other payables	**13,911**	**-**	**-**	**-**	13,088	-	-	-
Gross settled derivative contracts - payments	**-**	**-**	**-**	**-**	9,493	-	-	-
Gross settled derivative contracts - receipts	**-**	**-**	**-**	**-**	(9,153)	-	-	-
Provisions for redundancies and property	**1,545**	**352**	**619**	**117**	734	353	520	383
	15,456	**352**	**619**	**117**	14,164	12,712	520	383

23. Financial risk factors continued

Company	2010 Within 1 year £000	2010 Between 1 and 2 years £000	2010 Between 2 and 5 years £000	2009 Within 1 year £000	2009 Between 1 and 2 years £000	2009 Between 2 and 5 years £000
Bank loans	**-**	**-**	**-**	-	12,359	-
Bank overdrafts	**437**	**-**	**-**	590	-	-
Trade and other payables	**407**	**-**	**-**	319	-	-
Payables due to related parties	**1,524**	**-**	**4,871**	2,112	-	6,337
	2,368	**-**	**4,871**	3,021	12,359	6,337

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

24. Derivative financial instruments

Derivatives were used for hedging the exposure to foreign exchange risks arising from operating, financing and investing activities in the prior year.
Derivatives that were held as hedging instruments were formally designated as hedges as defined in IAS 39.
There was no material impact on the Group's income statement resulting from hedge ineffectiveness.

Recognised fair values of derivative financial instruments

Forward foreign exchange contracts and embedded derivatives are measured at fair value by reference to year end market values. These are all categorised as level 2 under the requirements of IFRS7, as they are valued using techniques based significantly on observed market data. The full fair values of hedging derivatives are classified as follows:

Group	2010 Current assets £000	2010 Current liabilities £000	2009 Current assets £000	2009 Current liabilities £000
Forward foreign exchange contracts - cash flow hedges	**-**	**-**	210	(550)

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

Net fair values of derivative financial instruments

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

Group	2010 £000	2009 £000
Contracts with positive fair values:		
- Forward foreign currency contracts - cash flow hedges	**-**	210
Contracts with negative fair values:		
- Forward foreign currency contracts - cash flow hedges	**-**	(550)
Net fair values of cash flow hedges	**-**	(340)

The Company held no financial derivatives at either year end.
The net fair value losses in the year ended 31 May 2009 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales (cash flow hedges) of £112,000 were recognised in the hedging reserve at the prior year end. These have been transferred to the income statement during the current financial year as the hedged sales occurred. There are no open forward foreign exchange contracts at 30 May 2010.
There were no derivatives outstanding at either year end that were designated as fair value hedges.

25. Trade and other payables

Current	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade payables	**3,418**	3,480	**168**	62
Payables due to related parties	**-**	-	**61**	342
Loans from related parties	**-**	-	**1,463**	1,770
Other taxes and social security	**1,545**	1,726	**24**	39
Other payables	**3,569**	2,700	**36**	56
Accruals	**5,434**	5,230	**179**	164
Deferred income	**1,584**	956	**-**	-
	15,550	14,092	**1,931**	2,433

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

NOTES TO THE FINANCIAL STATEMENTS continued

26. Other non-current liabilities

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Accruals	**544**	538	**-**	-
Deferred income	**38**	94	**-**	-
Loans from related parties	**-**	-	**4,871**	6,337
	582	632	**4,871**	6,337

The fair value of other non-current liabilities does not materially differ from book value.
The carrying amount of the Group's trade and other payables are denominated in the following currencies:

	2010	2009
	£000	£000
Sterling	**7,041**	5,925
Euro	**3,118**	3,522
US dollar	**4,554**	3,314
Other currencies	**1,419**	1,963
Total trade and other payables and non-current liabilities	**16,132**	14,724

27. Provisions

Analysis of total provisions:

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Current	**1,848**	1,046	**12**	10
Non-current	**1,442**	1,586	**5**	2
	3,290	2,632	**17**	12

Group	Redundancy £000	Employee benefits £000	Property £000	Total £000
At 1 June 2009	98	868	1,666	2,632
Charged/(credited) to the income statement:				
- Additional provisions	163	4	1,361	1,528
- Unused amounts reversed	(21)	(19)	(579)	(619)
Exchange differences	10	38	119	167
Discount unwinding (note 7)	-	-	57	57
Utilised	(7)	(33)	(435)	(475)
At 30 May 2010	**243**	**858**	**2,189**	**3,290**

Company	Employee benefits £000	Total £000
At 1 June 2009	12	12
Charged to the income statement	5	5
At 30 May 2010	**17**	**17**

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

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

Property provisions
Property provisions relate to 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% (2009: 6.6%)

Redundancy provisions
Redundancy provisions relate to various outstanding redundancy payments. The provisions are expected to be utilised by the end of 2011.

28. Share capital

Group and Company	Number of shares (thousands)	Ordinary shares £000	Share premium account £000	Total £000
At 1 June 2009	31,129	1,556	7,822	9,378
Shares issued under employee sharesave scheme	6	1	15	16
At 30 May 2010	**31,135**	**1,557**	**7,837**	**9,394**

During the year 6,192 ordinary shares were issued (2009: nil). The total authorised number of shares is 42,000,000 shares (2009: 42,000,000 shares) with a par value of 5p per share (2009: 5p per share). All issued shares are fully paid.

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

Date granted	No of shares 2010	No of shares 2009	Exercise price in pence per share	Exercise dates
24 August 1999	**-**	10,870	460.0p	Aug 2002 to Aug 2009
25 September 2006	**-**	60,947	292.6p	Nov 2009 to Apr 2010
25 September 2006	**-**	3,504	304.6p	Nov 2009 to Apr 2010
1 October 2007	**73,585**	84,277	262.3p	Nov 2010 to Apr 2011
1 October 2007	-	1,826	220.65p	Nov 2009
29 September 2008	**410,331**	467,021	191.2p	Nov 2011 to Apr 2012
29 September 2008	**6,382**	6,382	199.8p	Nov 2011 to Apr 2012
1 October 2008	**10,884**	11,576	199.7p	Nov 2010
28 September 2009	**166,433**	-	220.7p	Nov 2012 to Apr 2013
1 October 2009	**6,479**	-	248.6p	Nov 2011
	674,094	646,403		

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

	2010 Approved and unapproved share schemes	2009 Approved and unapproved share schemes
At start of year	**646,403**	399,041
Granted	**179,928**	542,611
Forfeited	**(146,045)**	(295,249)
Exercised	**(6,192)**	-
At end of year	**674,094**	646,403

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

	2010	2009
At start of year	**215p**	295p
Granted	**222p**	192p
Forfeited	**261p**	280p
Exercised	**255p**	-
At end of year	**207p**	215p

Out of the 674,094 outstanding options (2009: 646,403 options), no options (2009: no options) were exercisable at 30 May 2010.

NOTES TO THE FINANCIAL STATEMENTS continued

28. Share capital continued

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

Group and Company	Share price (pence)	Option exercise price (pence)	Vesting period	Option life	Expected volatility	Risk free rate of return (%)	Dividend yield (%)	Fair value per option (pence)
Employee sharesave schemes:								
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2005 granted options non-US employees	377p	340p	36 mths	42 mths	36%	4.5%	5.0%	90.9p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2006 granted options non-US and French employees	389p	292.6p	36mths	42 mths	31%	4.8%	4.9%	112.4p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2006 granted options US employees	396p	336p	24 mths	24 mths	35%	4.8%	4.8%	94.9p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2006 granted options French employees	389p	304.6p	36 mths	42 mths	31%	4.8%	4.9%	106.4p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2007 granted options non-US employees	328p	262.3p	36 mths	42 mths	40%	4.8%	-	137.0p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2007 granted options US employees	260p	220.65p	24 mths	24 mths	39%	4.8%	-	84.8p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2008 granted options non-US and French employees	228p	191.2p	36 mths	42 mths	42%	4.0%	-	91.2p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2008 granted options US employees	228p	199.7p	24 mths	24 mths	45%	4.0%	-	76.7p
Games Workshop Group PLC 2005 Savings-Related Share Option Scheme 2008 granted options French employees	228p	199.8p	36 mths	42 mths	42%	4.0%	-	87.4p
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

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.

29. Other reserves

	2010				2009			
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**	**2,786**	**(1,050)**	**1,837**	101	628	(1,050)	(321)
Net investment hedge	**-**	**-**	**-**	**-**	-	(621)	-	(621)
Exchange differences on translation of foreign operations	**-**	**1,885**	**-**	**1,885**	-	2,605	-	2,605
Current tax	**-**	**-**	**-**	**-**	-	174	-	174
End of year	**101**	**4,671**	**(1,050)**	**3,722**	101	2,786	(1,050)	1,837

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

30. Retained earnings

Group	Hedging reserve £000	Profit and loss £000	Total £000
At 2 June 2008	(677)	21,146	20,469
Profit attributable to equity shareholders	-	5,469	5,469
Cash flow hedges:			
- fair value losses in the year	(112)	-	(112)
- transfers to net profit (cost of sales)	940	-	940
Deferred tax	(232)	-	(232)
Share-based payments	-	242	242
At 31 May 2009 and 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	**-**	**42,187**	**42,187**

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £1,159,000 (2009: £1,159,000).

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

	Group	Group Restated*	Company	Company
	2010 £000	2009 £000	**2010 £000**	2009 £000
Operating profit/(loss) - continuing operations	**16,045**	8,933	**(941)**	(3,130)
Operating profit - discontinued operations	**-**	129	**-**	-
Depreciation of property, plant and equipment	**6,772**	7,055	**-**	-
Net impairment charge on property, plant and equipment	**139**	167	**-**	-
Loss on disposal of property, plant and equipment (see below)	**91**	-	**-**	-
Loss on disposal of intangible assets (see below)	**18**	39	**-**	-
Profit on disposal of assets held for sale	**-**	(36)	**-**	-
Profit on disposal of investment in subsidiary undertaking	**-**	-	**(358)**	-
Loss on liquidation of subsidiary undertaking	**-**	-	**55**	-
Amortisation of capitalised development costs	**2,438**	2,269	**-**	-
Amortisation of other intangibles	**952**	1,281	**-**	-
Waiver of amounts owed to related parties	**-**	-	**(889)**	-
Share-based payments	**170**	242	**-**	-
Dividend income from investment in subsidiary undertaking	**-**	-	**3,500**	-
Changes in working capital:				
- Decrease in inventories	**1,004**	386	**-**	-
- Decrease/(increase) in trade and other receivables	**122**	393	**2,162**	(793)
- Increase/(decrease) in trade and other payables	**1,601**	(1,939)	**561**	588
- Increase/(decrease) in provisions	**435**	(17)	**5**	(76)
Net cash from operating activities	**29,787**	18,902	**4,095**	(3,411)

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

	2010 £000	2009 £000
Net book amount	**101**	62
Loss on sale of property, plant and equipment	**(91)**	-
Proceeds from sale of property, plant and equipment	**10**	62

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

Proceeds from the sale of other intangibles comprise:

	2010 £000	2009 £000
Net book amount	**18**	39
Loss on disposal of other intangible assets	**(18)**	(39)
Proceeds from sale of other intangibles	**-**	-

The Company sold no other intangibles during either year.

NOTES TO THE FINANCIAL STATEMENTS continued

32. Analysis of net funds/(debt)

Group	As at 31 May 2009 £000	Cash flow £000	Exchange movement £000	**As at 30 May 2010 £000**
Cash at bank and in hand	10,355	6,293	441	**17,089**
Cash and cash equivalents	10,355	6,293	441	**17,089**
Non-current borrowings	(12,000)	12,000	-	**-**
Finance leases	(2)	2	-	**-**
Net funds/(debt)	(1,647)	18,295	441	**17,089**

Company	As at 31 May 2009 £000	Cash flow £000	Exchange movement £000	**As at 30 May 2010 £000**
Current borrowings - bank overdraft	(590)	59	94	**(437)**
Cash and cash equivalents	(590)	59	94	**(437)**
Non-current borrowings	(12,000)	12,000	-	**-**
Net debt	(12,590)	12,059	94	**(437)**

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

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Increase/(decrease) in cash and cash equivalents in the year resulting from cash flows	**6,293**	4,888	**59**	(5,413)
Cash outflow from decrease in debt and lease financing	**12,002**	3,013	**12,000**	3,000
Change in net funds/(debt) resulting from cash flows	**18,295**	7,901	**12,059**	(2,413)
Exchange movement	**441**	521	**94**	180
Net debt at start of year	**(1,647)**	(10,069)	**(12,590)**	(10,357)
Net funds/(debt) at end of year	**17,089**	(1,647)	**(437)**	(12,590)

34. Commitments

Capital commitments

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

Group	**2010 £000**	2009 £000
Other intangible assets	**-**	37
Property, plant and equipment	**199**	589
Total	**199**	626

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:

	2010			2009		
Group	**Hobby centres £000**	**Other property £000**	**Other £000**	Hobby centres £000	Other property £000	Other £000
Within 1 year	**9,154**	**1,457**	**360**	8,705	1,538	303
Between 2 and 5 years inclusive	**21,477**	**3,249**	**322**	21,106	3,716	319
In over 5 years	**4,371**	**241**	**-**	4,911	716	-
	35,002	**4,947**	**682**	34,722	5,970	622

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

Inventory purchase commitments

Group	**2010 £000**	2009 £000
Raw materials	**365**	634

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

34. Commitments continued

Pension arrangements

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

35. Contingencies

The Group and Company had no contingent liabilities that are expected to give rise to material liabilities at either year end.
The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.
The Group also has contingent liabilities in respect of the potential reversionary interest in sub-let leasehold properties amounting to £963,000 (2009: £810,000).
The Company provides indemnities to third parties in respect of contracts regarding their use of its intellectual property, under commercial terms in the normal course of business.
The Company has also guaranteed the bank overdrafts and loans of certain Group undertakings for which the aggregate amount outstanding under these arrangements at the balance sheet date was £652,000 (2009: £3,734,000).

36. Related-party transactions

During the year the Company provided management and similar services to the majority of subsidiary companies within the Group.
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.
The Group had no related-party transactions in the year.
Transactions between the Company and its subsidiaries are shown below:

		2010	2009
Subsidiary	Nature of transaction	**£000**	£000
Games Workshop America Inc.	Recharges	**79**	41
	Interest payable	**-**	(10)
Games Workshop US Manufacturing LLC	Interest payable	**(33)**	-
EURL Games Workshop	Recharges	**62**	61
	Interest payable	**(30)**	(94)
Games Workshop SL	Recharges	**29**	29
	Interest payable	**-**	(31)
Games Workshop Oz Pty Limited	Recharges	**9**	3
	Interest payable	**(43)**	(8)
Games Workshop Deutschland GmbH	Recharges	**63**	61
	Interest payable	**(20)**	(14)
Games Workshop Italia SRL	Recharges	**27**	25
	Interest receivable	**11**	-
Games Workshop International Limited	Interest payable	**(9)**	(9)
	Dividends receivable	**3,500**	-
	Profit on disposal of investment in subsidiary undertaking	**358**	-
Games Workshop (Queen Street) Limited	Recharges	**4**	3
	Interest payable	**11**	36
Games Workshop Limited	Recharges	**41**	12
	Interest receivable	**157**	441
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	
	2010	2009	**2010**	2009
Subsidiary	**£000**	£000	**£000**	£000
Games Workshop Group PLC Employee Share Trust	**38**	35	**-**	-
Games Workshop Limited	**2,421**	2,455	**-**	-
Games Workshop America Inc.	**266**	166	**-**	-
Games Workshop US Manufacturing LLC	**-**	-	**(5)**	-
EURL Games Workshop	**1**	6	**-**	-
Games Workshop SL	**7**	4	**-**	-
Games Workshop Oz Pty Limited	**20**	27	**-**	-
Games Workshop Deutschland GmbH	**65**	15	**-**	-
Games Workshop (Shanghai) Co. Limited	**4**	10	**-**	-
Games Workshop International Limited	**-**	-	**(55)**	(342)
Games Workshop (Queen Street) Limited	**13**	8	**-**	-
Games Workshop Italia SRL	**30**	105	**-**	-
Citadel Miniatures Limited	**-**	-	**(1)**	-
	2,865	2,831	**(61)**	(342)

NOTES TO THE FINANCIAL STATEMENTS continued

36. Related-party transactions continued

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	2010	2009	**2010**	2009
Subsidiary	**£000**	£000	**£000**	£000
EURL Games Workshop	**-**	-	**(1,463)**	-
Games Workshop (Queen Street) Limited	**-**	1,168	**-**	-
Games Workshop Deutschland GmbH	**-**	-	**-**	(1,770)
	-	1,168	**(1,463)**	(1,770)

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	2010	2009	**2010**	2009
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**	15,456	**-**	-
Games Workshop Italia SRL	**1,463**	-	**-**	-
Games Workshop US (Holdings) Limited	**-**	-	**(4,871)**	-
EURL Games Workshop	**-**	-	**-**	(2,458)
Games Workshop Oz Pty Limited	**-**	-	**-**	(1,001)
Games Workshop International Limited	**-**	-	**-**	(1,375)
Other subsidiaries	**-**	-	**-**	(1,503)
	5,363	15,456	**(4,871)**	(6,337)

FIVE YEAR SUMMARY

	2010 £000	Restated 2009 £000	Restated 2008 £000	Restated 2007 £000	Restated 2006 £000
Continuing operations					
Revenue	**126,511**	125,706	110,345	109,501	114,468
Continuing operations					
Operating profit - pre-exceptional and pre-royalties receivable	**12,989**	5,462	3,184	711	3,913
Exceptional items - cost reduction programme	**-**	-	(2,365)	(4,028)	-
Royalties receivable	**3,056**	3,471	1,736	1,423	1,170
Operating profit/(loss)	**16,045**	8,933	2,555	(1,894)	5,083
Finance income	**442**	333	425	326	238
Finance costs	**(367)**	(1,808)	(1,918)	(1,110)	(797)
Profit/(loss) before taxation	**16,120**	7,458	1,062	(2,678)	4,524
Income tax expense	**(1,040)**	(2,107)	(613)	(622)	(1,660)
Profit/(loss) attributable to equity shareholders - continuing	**15,080**	5,351	449	(3,300)	2,864
Profit/(loss) attributable to equity shareholders - discontinued	**-**	118	(1,186)	(291)	(881)
Basic earnings/(loss) per ordinary share	**48.4p**	17.6p	(2.4)p	(11.5)p	6.4p

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FINANCIAL CALENDAR

Annual general meeting	16 September 2010
Announcement of half year results	January 2011
Financial year end	29 May 2011
Announcement of final results	July 2011